1983

Budget Address

Presented by the Honourable Lou Hyndman
Provincial Treasurer
in the Legislative Assembly of Alberta
on Thursday, March 24, 1983

Alberta

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1983 Budget Speech

Mr. Speaker, this is a resurgence budget of cautious confidence, based on a step-by-step economic recovery leading to durable growth for Alberta in the eighties.

It sustains the Alberta Economic Resurgence Plan and supplements that initiative by assisting our private sector to market oil, natural gas, grains, red meats, forest products and manufactured goods in Canada and throughout the world.

It stresses a prudent, responsible approach to public sector financing with a dramatic reduction in the rate of growth of government costs so that we can continue to respond to Alberta's longer term needs.

It maintains high quality health, education, social, recreational and cultural services with no increases in personal or corporate taxes and no gasoline tax. Even with a restraint approach, there are no cutbacks in the support for these services.

It reinforces the increasing number of positive economic signals emerging in the United States, other parts of Canada and Alberta.

It supports job training and retraining especially to assist young Albertans to upgrade their abilities and skills in preparation for a return to the workforce.

Although the start of the economic recovery in Alberta has been delayed, and although the worrisome unemployment trend may continue, with reasonable stability in world energy prices there is justification for balanced optimism and realistic confidence.

After a decade of unprecedented economic growth and prosperity, 1982 was a disappointing year for many Albertans. Last year's budget speech warned that Alberta would not be immune to the national and international economic downturn. Our citizens now know that this province is not an economic island; we are a trading province that relies on healthy Canadian and world markets for prosperity. Decisions made outside our country affect Albertans more than other Canadians; the current instability in world oil markets is clear evidence of this fact.

To protect Albertans from the full force of the global economic downturn, we introduced last March a stimulative budget containing a dramatic increase in capital construction spending and no tax increases.

Further leadership, one month later, saw the introduction of the Alberta Economic Resurgence Plan with the Oil and Gas Activity Program. Then, in early September, 1982 the Alberta Heritage Savings Trust Fund interest reduction programs were introduced to assist Alberta homeowners, small businessmen and farmers. In this way, over the past year, the Alberta government has put in place a workable economic recovery plan that has helped Albertans to cope and has set the stage for sustained recovery. The Economic Resurgence Plan is unique in Canada.

Budgetary expenditure has risen dramatically over the last five years as the government responded to the demands of a fast growing population for improved services at a time of significant surplus revenue. But budgetary revenue has not kept pace with expenditure. The global recession has reduced the demand for oil and natural gas and energy prices are softening. The result is an imbalance between budgetary revenue and budgetary expenditure which has led to a record budgetary deficit in 1982-83, the drawing down of accumulated surpluses and the need to borrow for the first time in ten years.

The uncertainty surrounding the world energy scene is troubling. It has made budget planning and forecasting very difficult. Alberta's economy and finances are vulnerable to a fall in world energy prices. Significant economic diversification has occurred in Alberta since 1972. Much of it has been energy related; realistically this will continue. However, even in the long term, tax revenue from diversification will not entirely replace provincial resource revenue.

A key thrust of the 1983 budget is expenditure restraint by government – a "hold-the-line" approach. Expenditure must be brought more in line with revenue or we will all face the prospect of much higher taxes in the future. Government cannot be out of step with the economic realities being faced by individual households and small businesses forced to curtail their expenditures. This adjustment must start now; it is not fiscally responsible to pay for day-to-day needs out of savings or borrowings.

Government spending restraint in 1983 will be tempered by our ongoing commitment to continue to provide among the best public services in Canada and to care about those Albertans who require special assistance.

The beginning of economic recovery is difficult to pinpoint. There are signs that the Alberta economy is on the mend, although a number of weak areas remain. Many enterprises are now lean, trim and ready to take on new marketing and productivity challenges in Alberta and the world. The recovery will depend to a significant degree on the extent to which there is confidence in the energy industry and a rejuvenation of consumer demand. If interest rates continue at lower levels and if the energy situation stabilizes, we can look ahead with measured optimism.

Economic Situation and Outlook

The International Economy

In almost every part of the world there was economic decline in 1982. Slower growth resulted in lost jobs and increased unemployment. Declining sales of consumer goods and commodities meant reduced cash flow, lower profits and the resulting deferral or outright cancellation of investment plans for expansion of plant and equipment. This world economic downturn sharply curtailed the demand for such basic Alberta products as oil, natural gas, grains, red meats, petrochemicals and forest products.

If in 1981 any Albertans doubted that their economy was dependent on American and world trends, they realized with a jolt in 1982 that jobs, wages, profits and economic prospects here were directly affected by a sluggish United States economy and by virtually no growth in most of the rest of the world.

As 1982 progressed, the timing of the economic recovery was pushed back. The much-awaited American recovery of late 1982 did not materialize. Now, however, there are positive signs. U.S. interest rates have fallen. Inflation has returned to more acceptable levels. Stock markets have hit record levels, mirroring a new and growing confidence.

Economic recovery in the United States and the developed world is essential for a sustained recovery in Canada. The key to a recovery in the United States is the release of pent-up consumer demand and there are signs that consumer demand is strengthening. However, there is continuing concern about the size of the American budgetary deficit which could push up interest rates and delay recovery.

Leading indicators point to a United States upturn in 1983, with real growth there of around 3% and with most of that growth occurring during the second half of the year. This is a lower growth rate than in other post-war recoveries but, for sustained economic growth in the eighties, a measured pace of recovery should result in a more stable economic scene.

The Canadian Economy

The world economic recession had an even more serious impact on Canada. The Ottawa Energy Program had been inflicted on the country prior to the international economic downturn. It seriously weakened Canada's crucial energy industry and made foreign, job-creating investment capital unwelcome here.

Last year Canadian economic performance was the worst of the seven largest western industrialized countries. Real Gross National Expenditure declined by 4.8%. By the end of 1982, Canada's economic activity had fallen for six consecutive quarters, the worst performance since quarterly data were first collected in 1947.

The heaviest and most visible toll of the recession was on jobs. The national unemployment rate averaged 11% in 1982 and had reached 12.8% by year end.

Although both interest rates and inflation dropped significantly during 1982, Ottawa's artifical propping up of the Canadian dollar kept Canadian interest rates higher than necessary.

Low demand caused a fall in business activity. Combined with high interest rates, this led to a sharp drop in corporate profits. Real private business investment declined by 11.5% during the year.

The June, 1982 federal budget reversed some of the harmful anti-investment measures proposed in November, 1981. This encouraging sign needs to be reinforced in a new federal budget that stresses confidence, stability and reassurance for risk-takers, consumers, investors and businessmen.

Alberta has played a lead role in promoting coherent national economic policies. At the August, 1982 Annual Premiers' Conference, Alberta released recommendations in a document entitled "The Road to Recovery: Restoring Investor Confidence". The policy recommendations in that document are still timely. They focused on

- restoring investor confidence through tax incentives,
- returning stability and predictability to federal fiscal and monetary policies,
- easing the restrictions on foreign investment,
- increasing federal-provincial cooperation,
- restraining operating expenditure by all governments, and
- streamlining regulatory processes.

The Alberta Economy

In 1982 Alberta was hit simultaneously by the full aftershock of the Ottawa Energy Program, record high interest rates, a Canadian and world recession, falling energy demand and softening oil prices.

Albertans now realize that our economy was flying artificially high in recent years. There was excessive growth in some areas. Credit was very easy to obtain. A few may have felt that Alberta had somehow become insulated from world business cycles.

The Alberta Economic Resurgence Plan

The Alberta government anticipated the slowdown in early 1982. It was apparent that our outward-looking economy could not escape the grip of the world-wide recession. A unique plan was formulated to assist Albertans and to respond to the economic problem. It included

- major capital spending to help retain many jobs, particularly in construction;
- royalty reductions to stimulate more job activity in the oil and gas sector;
- protection for homeowners from high interest rates, to encourage consumer spending and retail trade and to sustain jobs in the service sector;
- shielding of small businesses from high interest rates, again to help sustain jobs; and
- interest expense reductions for farmers to help offset the fall in net farm income.

In the March, 1982 budget, capital spending was increased by more than 30% to over $2 billion

and there were no tax increases. The Alberta Economic Resurgence Plan was put into effect in April, 1982 with the knowledge that the deficit could rise to over $2 billion in the 1982-83 fiscal year. A key component is the Alberta Oil and Gas Activity Program, targeted to increase the industry's cash flow by approximately $5.4 billion over five years. It includes royalty reductions for conventional crude oil and natural gas, the 1982 well servicing and drilling incentive grant and a substantial enrichment of the royalty tax credit primarily for small producers. Almost one-half of the total benefit flows to the industry in 1982 and 1983.

These measures set the framework for sustained jobs in the oil and gas sector which is vital to Alberta's economic health. Already there are positive signs of recovery with increases in industry cash flow. Virtually the entire province has a direct or indirect stake in employment in the energy sector.

Also as part of the first phase of the Economic Resurgence Plan, the Farm Fuel Distribution Allowance was more than doubled to help protect farmers from high fuel prices, a major farm input cost. To assist our primary agricultural producers, their natural gas rebates were doubled. Noting problems being faced by the trucking industry, licence fees were reduced by 50% for 1982-83.

Over the summer of 1982, the provincial economy and federal monetary policy were closely monitored. In early September, when homeowners were facing mortgage rates of 17.5% and higher and with businessmen and farmers having to borrow at similarly high interest rates, the Heritage Fund Mortgage Interest Reduction Program and the Small Business and Farm Interest Shielding Program were announced. Both programs run for 24 months. They provide stability and certainty, and help to stabilize consumer confidence and assist retail trade. The programs reduce the interest expense paid by our farm operators and help to sustain small businesses through these difficult times.

Last fall, with the prospect of a difficult winter facing small Alberta contractors, the government implemented the special highway winter works program.

With attendance rising dramatically at our post-secondary institutions due to the economic downturn, we provided special additional enrolment funding.

No other government has undertaken such a major economic program, either in size or scope, to assist its citizens to fight the economic downturn.

The Alberta Economic Situation and Outlook

Overall, the level of economic activity in Alberta was down in 1982 over 1981. Real Gross Domestic Product decreased by 3 to 4%. Some decline was probably inevitable because the extraordinary growth of 1979 and 1980 could not be sustained. However, the downturn was compounded by the coincidence of misguided federal policies on energy and investment, weak markets for Alberta's exports and high interest rates.

Real private sector investment, which has in the past represented over one-third of Alberta's overall economic activity, was down by about 9% in 1982.

Early last fall most economic forecasts held out the promise of imminent recovery in North America; Alberta's economy was expected to be the strongest of any province in 1983. The government's assessment of the economy in September, 1982 noted the unemployment stresses arising out of the years of high in-migration, over-building in certain sectors and, on the positive side, a start to recovery in the oil and gas industry.

Three energy-related events came to a head in the past few months and have delayed Alberta's economic recovery:

- the world and United States demand for energy, especially oil, declined sharply;
- the inability in January of the Organization of Petroleum Exporting Countries to reach agreement on production quotas and prices

set in motion a downward trend in world oil prices; and

— low priced residual fuel oil in the United States captured a significant portion of Alberta's industrial market for natural gas.

These developments have adversely affected our basic oil and gas industry; economic recovery has been delayed. The forecast for Alberta is for modest real growth in 1983.

In 1983 a priority will be to continue economic policies that assist the private sector in achieving economic recovery while recognizing that a return to the surging growth of 1979 and 1980 is neither likely nor particularly desirable if a durable recovery is to be achieved. The focus will be on developing a sustainable, positive economic climate. Confidence by consumers, investors and businessmen is the vital ingredient to recovery.

Employment

During most of the last decade, Alberta enjoyed the lowest rate of unemployment of any province despite very large in-migration from other provinces and other countries. Many observers consider a three to four per cent unemployment rate as virtually full employment. That was certainly the view of many Alberta businessmen who experienced great difficulty in finding tradesmen and skilled personnel over the past few years.

In-migration to this province accelerated in the late seventies in response to an incredible average increase in employment of over 5% per year, more than double the Canadian average. Policy planners in Alberta became concerned about the proportion of newcomers working in sectors such as construction which were not likely to be sustained as the inevitable cooling-off and adjustment period occurred. It was just unrealistic to believe that a small province like Alberta could continue to provide the major growth outlet for most of Canada's expanding labour force.

Therefore, there is bound to be a large "overhang" of unemployment for some time as certain sectors adjust to the new realities. Only private sector economic recovery, primarily in areas such as oil and gas, will significantly reduce this unemployment carry-over. In any event, there will be a time period during which Alberta must absorb the effects of overbuilt and overheated economic sectors.

Within our financial limitations, the Alberta government will be helping to minimize the problem in a variety of ways: funding for more enrolment at post-secondary institutions, a large capital construction program, the Priority Employment Program, the Summer Temporary Employment Program, the highway winter works program and joint Alberta-federal job-creating programs. The key to jobs, though, will be private sector activity supported by current provincial government incentives to improve cash flow and marketing support in the conventional oil and gas industry.

Alberta will continue to lead the nation with more jobs in proportion to the total working age population than any other province.

Inflation

Inflation as measured by the Calgary and Edmonton consumer price indices was 11.4 % in 1982, down from 12.9% in 1981. During the last six months of 1982, the combined Calgary and Edmonton consumer price indices grew at an annual rate of only 4.1%. The indices actually declined in January 1983 over December 1982, a good sign for rebuilding confidence.

The government has little influence over inflation in the short term except in relation to public sector wages and salaries. Recent arbitration awards are a matter of serious concern given today's economic realities. Alberta's wage and salary guidelines for 1983 will help to inject reality into this aspect of the public sector. Current trends in private sector wage settlements are encouraging.

Energy and Natural Resources

Oil and gas drilling activity in 1982 returned to the levels experienced in 1977 and 1978. The start of the $5.4 billion Oil and Gas Activity Program in 1982 was a positive development: it offers ongoing improvements to producer netbacks and cash flows. In 1983 Alberta's energy sector is well placed to pursue a more normal path of development. Having reduced its debt, the industry is in a better position to take advantage of further activity as markets improve.

The volume of natural gas production in 1982 increased by 3% to 2.35 trillion cubic feet, primarily a result of the flow of gas through the new pre-built section of the Alaska pipeline.

Largely as a result of price increases under the energy agreement, the total value of natural gas production increased by 18% to $6.5 billion. Shut-in gas reserves remain a problem to producers and a challenge to our marketing skills. Realistically, total production of natural gas is expected to remain stable in 1983.

Production of conventional crude oil decreased in 1982 by about 4% but, due to price increases under the energy agreement, the value of conventional crude oil production increased by 26% to $8.4 billion. Shut-in oil averaged 71,000 barrels per day in 1982 and remains a major area of concern. The National Energy Board decision to allow light and medium oil exports is a step in the right direction but more action is needed to solve the shut-in oil problem. Conventional crude oil production is forecast to remain stable in 1983.

Despite the temporary oversupply, oil today is being consumed faster than it is being discovered. In a world where energy demand will inevitably grow and where supplies are inevitably depleting, the medium-term future is promising. Given unstable Middle East sources, Canada remains a promising future source of oil supply. Energy will always be in demand; Alberta has it in abundance.

Coal production in 1982 was up 6.5% over the previous year with the total production value holding steady at about one-third of a billion dollars.

Although forest product industries in the province operated at below capacity levels in 1982, the total value of this important industry's production is estimated at approximately half a billion dollars in 1982. About 60% of the value is accounted for by pulp mills, 30% by sawmills and 10% by plywood mills. Recent events have improved significantly the prospects for Alberta's forest products industries.

Construction

In recent years about 20% of Canada's new housing has been built in Alberta. It is unrealistic to expect that this pace can continue in an adjustment year. About 20,000 to 25,000 housing starts are expected in 1983. Remarkably, with only 9% of Canada's population, this figure will still represent about 15% of the national total. Given the current high vacancy rates, the stock of unsold new units and the expected reduction in the rate of population growth, Albertans should have a healthy supply of housing this year.

Commercial construction continued unabated in 1982 mainly due to a carry-over of private sector projects initiated in 1981. There is now excess commercial space which must be absorbed prior to significant new activity.

As noted, government construction spending was up dramatically last year. The total value of all public and private construction and engineering activity reached $13.4 billion in 1982.

The current pace of industrial construction activity will continue through 1983. Petrochemical projects and refineries worth an estimated $3.2 billion are under construction now, the highest level of activity ever. Natural gas processing plants valued at $489 million are currently under construction.

Utilities construction in 1983 should add a further $2 billion in new plant and equipment.

Agriculture

Agriculture continues to be a strong base sector. Sales of Alberta's agricultural products outside the province have an annual export value of $3.5 billion; they are marketed in more than sixty countries.

While farm cash receipts totaled a healthy $3.85 billion in 1982, rising expenses led to softening in net farm income to about $760 million for the year.

The situation for livestock producers improved during 1982 partly due to the Alberta Beef Cattle and Sheep Support Program. Cattle slaughters increased slightly and were accompanied by higher average prices. Hog prices were sharply higher. As a result, cash receipts from cattle, calves and hogs improved. Cash receipts from dairy products also rose significantly. Overall, cash receipts from livestock and livestock products were 8% higher in 1982.

Cash receipts from crops receded somewhat from 1981 record levels but were still much higher than the levels of the late seventies. A real problem for our farmers is the large surplus of grain supplies in United States bins.

Manufacturing

Manufacturing and processing shipments, after two years of very strong growth of about 20% per year, declined in 1982 but remained over the $12 billion mark. On average over the last five years, Alberta significantly outperformed Canada as a whole in terms of growth in manufacturing shipments. Agricultural processing accounts for slightly over one-quarter of Alberta's manufacturing industry. Long-term progress partly depends on the satisfactory resolution of the Crow rate issue in a way that strengthens prospects for Alberta products.

Progress on economic diversification continues and recent activity in high technology is a promising new development.

In 1982 gross tourism revenue increased by 6% over the previous year; it is expected to increase further in the year ahead.

Review of Alberta's Finances

The New Budget Realities

The transition from an overheated economy to one of more measured, sustained growth involves new budget realities for Albertans.

Over the last five years, Alberta's population grew by 21.5%, nearly four times faster than the national population increase. This brought demands for more and better services and facilities of all kinds. A massive hospital construction program was initiated. To meet the need for more affordable shelter, the Heritage Fund provided over $3.1 billion in housing assistance. Property taxpayers were aided through the unique $1 billion Municipal Debt Reduction Program. $329 million of hospital debt was retired. To reduce bottlenecks and provide the foundation for continued growth, the fastest growing capital spending program in Canada was initiated; capital construction rose from about $400 million in 1977-78 to over $2 billion in 1982-83, a five-fold increase. As a result of these pressures, budgetary expenditure rose at an average annual rate of 23% over the last five years.

On the other hand, ordinary budgetary revenue over the same five-year period grew by only 8% per year. Unlike expenditure, revenue depends primarily on external factors beyond our control. Alberta's non-renewable resource revenue was seriously affected by the ill-conceived Ottawa Energy

Program and by weak demand for oil and natural gas as a result of the world recession.

Roughly one-half of revenue is directly tied to the production and sale of our non-renewable resources. As was so graphically evidenced in 1982, market conditions largely beyond our control can cause unpredictable changes in our revenue. While we are closer to receiving fair market value for our resources, our revenue situation is more volatile than ever before. Fiscal planning and forecasting is therefore more difficult.

In the 1976 Budget Address, the Honourable Merv Leitch made the following comment regarding Alberta's dependence on non-renewable resource revenue:

> "Alberta's current prosperity, its high level of government services and its low tax rates all stem from the large sums of revenue flowing from the sale of non-renewable resources. These resources are finite and we must plan and prepare for the day when revenue from the sale of non-renewable resources will form a smaller percentage of provincial government revenues."

That message and the actions taken since 1976 accurately anticipated the problems which Alberta would face in the future. In last year's budget speech, I noted: "Future revenues depend heavily on international oil prices and the United States market, both of which are factors beyond our control."

One of the other major reasons why revenue has not kept pace with expenditure is because there have been no increases in personal or corporate income taxes or consumption taxes and because Alberta does not have a gasoline tax or sales tax.

1982-83 Financial Situation

The updated financial plan for 1982-83, released last month, presented clearly the impact of the new budgetary realities facing Alberta. From a surplus of $41 million in 1981-82, a deficit of over $2 billion is forecast for 1982-83.

Why is the 1982-83 budgetary deficit so large? First, we implemented a highly stimulative job-retention budget last spring. Then we initiated the Alberta Economic Resurgence Plan which involves over $1 billion in expenditure and revenue reduction programs in 1982-83 (not including the major royalty reductions). In addition, oil and gas revenue was lower than expected as a result of continuing shut-in oil problems and soft demand caused by the global recession.

A new financing strategy was devised. Investment income earned by the Heritage Fund will be transferred to the General Revenue Fund effective September 1, 1982 for 24 months. The transfer of $860 million in estimated investment income between September 1, 1982 and March 31 of this year reduces the forecast 1982-83 deficit to about $2.4 billion.

As a result, the Heritage Fund will grow by the reduced amount of approximately $1.9 billion in 1982-83. This amount is not available to reduce the projected $2.4 billion deficit because it will all be committed to the Fund's capital projects and to the Crown corporations that provide financing for agricultural, small business and shelter programs. In fact, in the near future, external borrowing may well be needed to meet the capital needs of these Crown corporations. The Heritage Fund is tied up in mortgages and committed to loans for years ahead until repayments by homeowners and other borrowers become available in significant amounts.

Actions have already been taken to secure other capital funds for needed programs. Some money market securities and bonds were sold. A successful new Alberta treasury bill program was initiated. A revolving line of bank credit was established. In addition, the Alberta Municipal Financing Corporation went to the public market twice in recent months.

These are the new realities that have had to be taken into account in preparing the 1983-84 budget. Adding to the complexity is the uncertainty of the world energy scene, which directly affects our principal revenue source. We are at a turning point in Alberta's financial planning, a turning point which will affect revenue and expenditure decisions for years to come.

1983-84 Fiscal Strategy

The fiscal strategy for 1983-84 has four interrelated objectives: sound financial management; economic recovery; the maintainence of quality educational, health and social services; and a reduction in the size of the public service.

Sound Financial Management

Given the large budgetary deficit in 1982-83 and the prospect of slower resource revenue growth in a changing energy world, a central objective of the 1983 budget is to safeguard the province's finances and thereby preserve Alberta's fiscal credibility.

To reach this goal, the growth of government expenditure will be restrained in 1983-84. As well, additional revenue will be raised through selective tax increases. Also, changes in Heritage Fund policy will be made to reduce the budgetary deficit and minimize borrowing requirements for budgetary purposes.

The central pillar of Alberta's financial management strategy is the Alberta Heritage Savings Trust Fund. It was set up in 1976 to smooth the transition from a situation in which government revenue is derived largely from depleting natural resources to one where services must be financed by more conventional revenue sources like taxation. Implicit in the design of the Heritage Fund was the notion that it would be available for a "rainy day".

To increase the monies available to the General Revenue Fund and thereby reduce Alberta's borrowing requirements for budgetary purposes in the Canadian and international capital markets, the investment earnings from Heritage Fund assets (similar to the interest earned on a personal savings account) will be transferred to the General Revenue Fund over the period September 1, 1982 to August 31, 1984. Albertans understand that it would not be prudent to use savings to finance daily operating expenditure on a permanent basis.

Another policy change will see the previous 30% annual transfer of non-renewable resource revenue to the Heritage Fund reduced to 15% for the two fiscal years beginning April 1, 1983.

Albertans can be assured that their unique Heritage Fund will be maintained in concept and practice. It will simply grow at a slower rate. The fiscal prudence and foresight of establishing the Heritage Fund to assist Albertans in changed times is now clear.

Economic Recovery

The second fiscal strategy objective is to continue to promote economic resurgence and private sector job stability and training.

The key element of the strategy – the Alberta Economic Resurgence Plan – will continue through 1983 into 1984 and is targeted to assist homeowners, small businessmen, farmers, truckers, students, retailers and the job-producing oil and gas sector at an estimated cost of nearly $850 million in 1983-84.

In 1983-84 the government will devote priority time and attention to the marketing of Alberta's agricultural and energy products in Canada and the world.

We will continue solid support for private sector risk-takers – the driving force in the economy – by maintaining a consistent economic strategy and the most favourable tax environment in Canada.

Significant extra funds were provided recently to post-secondary institutions to reflect the increased enrolment of students not in the work force. The Alberta employment picture in 1983-84 will be assisted by the continuing high level of capital project activity contained in this budget and by other initiatives such as the Priority Employment Program and the joint Alberta-federal New Employment Expansion and Development program. But in the final analysis, it is private sector investment and activity that will cre-

ALBERTA ECONOMIC RESURGENCE PLAN PROGRAMS
(millions of dollars)

	1983-84 Estimate	1982-83 Forecast	Total
Homeowners			
Alberta Heritage Fund Mortgage Interest Reduction Program	198.1	99.6	297.7
Small Businessmen and Farmers			
Alberta Heritage Fund Small Business and Farm Interest Shielding Program	30.7	75.9	106.6
Farm Fuel Distribution Allowance Enrichment	47.0	43.0	90.0
Primary Agricultural Producers' Natural Gas Price Protection Plan	4.5	4.5	9.0
Small Contractors			
Highway Winter Works and 1982 Fall Roadwork Extension Programs	—	48.5	48.5
Truckers			
Truck Licence Fee Reduction Program	8.0	14.0	22.0
Students			
Advanced Education Extra Enrolment Funding	10.4	6.5	16.9
Oil and Gas Industry			
Well Servicing and Development Grant	—	250.6	250.6
Royalty Tax Credit Enrichment	510.0	530.0	1,040.0
Extension of Natural Gas Royalty Holidays	39.0	—	39.0
	847.7	1,072.6	1,920.3

ate and retain jobs in Alberta. Costly, one-shot government "make-work" projects provide only short-term, illusory assistance, unfairly raise expectations and ignore the structural changes that must occur in the economy if we are to be competitive in the years ahead.

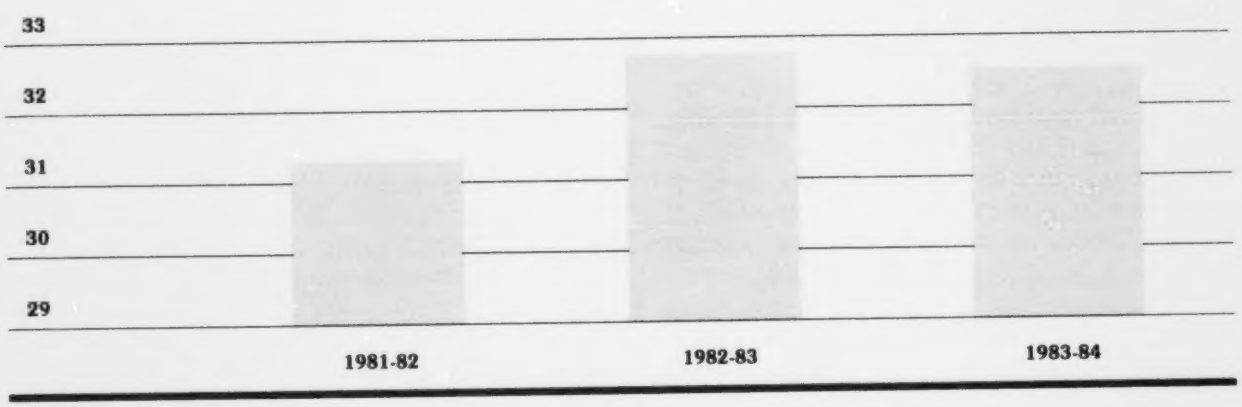
Maintaining Quality Public Services

The third objective is to continue to maintain high quality health, social, educational and other facilities and services for all Albertans. At this time of budgetary restraint further new initiatives or more enriched services cannot be justified; they would place an unacceptably high tax load on future Albertans.

Reducing the Size of the Public Service

The fourth objective of the 1983-84 fiscal strategy is to reduce the number of permanent, full-time public service positions. Manpower costs are a major expense of government. Over the years, Alberta has had a consistent policy of holding the growth in permanent, full-time public service positions to the rate of increase, on average, of the labour force. For 1983-84 the number of permanent, full-time positions will be reduced by 237, the first reduction in decades.

PERMANENT FULL-TIME PUBLIC SERVICE POSITIONS
(thousands)



Budgetary Expenditure

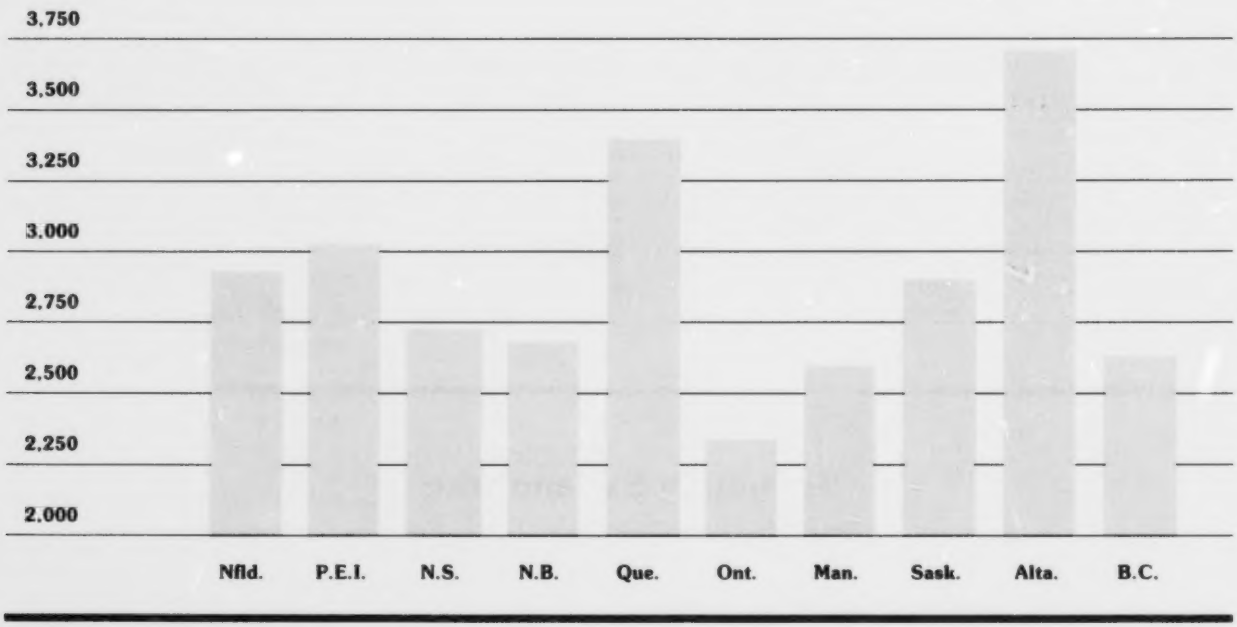
In keeping with today's budgetary realities, expenditure in 1983-84 will be kept to the minimum necessary to support the Economic Resurgence Plan, essential ongoing operating programs and needed capital construction projects. This is a "hold-the-line" budget — there are very few new programs or enrichments and those few have been approved only where offsetting reductions have been put into effect.

Total budgetary expenditure in 1983-84 will be held to less than $9.7 billion, a 7.5% increase over the 1982-83 comparable estimate. This contrasts with an increase of nearly 35% in 1982-83 relative to the previous fiscal year and marks a very significant reduction in the rate of total expenditure growth by government.

The province's very large expenditure base grows significantly in dollar terms every year just to maintain current standards of health, education, social and other services. In 1983-84 the increase in spending just to maintain these current programs is $678 million, about $286 for each Albertan. Over one half of this amount is required to provide for the public sector wage and salary increase component.

Even though the rate of budget increase is being limited, Albertans will continue to enjoy a wide range of programs of unparalleled quality. Alberta's expenditure per person is more than 30% above the national average. It is doubtful whether that high a percentage above the national average can be maintained.

GROSS GENERAL EXPENDITURE BY PROVINCE, 1981-82
(dollars per person)



Operating Expenditure

The total 1983-84 operating budget for government departments will increase by 14.7% over the 1982-83 comparable estimate. This percentage is less than one half the 31.3% increase last year. Virtually all of this year's increase is necessary just to meet the current funding requirements of existing programs.

Wages and salaries represent about one-half of the provincial operating budget. Budgetary expenditure, therefore, depends critically on the size of wage increases for the public sector. As announced in January, the government expects that wage and salary increases for the public sector will be funded within an overall 5% increase in basic grants for hospitals, schools, post-secondary institutions and other funded agencies. Contracts and arbitration awards in place will be honoured.

Public sector wage restraint is fundamental to economic recovery and to responsible management of Alberta's finances. If public sector settlements are reasonable then a "hold-the-line" budget will be possible without the need for a reduction in education, health and social services.

Alberta Economic Resurgence Plan

Most of the Economic Resurgence Plan will continue through 1983.

To protect farmers from high energy input costs, the Farm Fuel Distribution Allowance was more than doubled to an estimated total cost of $75 million in 1983-84. Natural gas rebates will be doubled under the new Primary Agricultural Producers' Natural Gas Price Protection Plan which will run from January 1, 1982 to the end of 1984 at an estimated

cost of $4.5 million a year. Truckers will benefit from the 25% reduction in truck licence fees at a cost of $8 million in 1983-84.

To date, about 120,000 Alberta householders have received cheques under the Alberta Heritage Fund Mortgage Interest Reduction Program which reduces mortgage rates to 12.5% for two years ending August 31, 1984. Almost $100 million has already been approved. In 1983-84, $198 million is budgeted. Many Albertans tied into high rate mortgages will continue to benefit and all homeowners can plan ahead with certainty and confidence. Recent initiatives will encourage the renegotiation of mortgages at today's lower interest rates.

The Heritage Fund Small Business and Farm Interest Shielding Program provides a stable 24 month borrowing benefit at a rate of 14.5%. Over 32,000 applicants have received assistance under the program. Nearly $76 million is forecast to be spent in 1982-83. Given lower interest rates I estimate that the program will cost $31 million next year. Hundreds of small businesses have benefited and the program has provided very real support for farm operators by reducing agricultural input costs.

To help post-secondary education institutions cope with the many extra students preparing for a return to the workplace, an extra $10.4 million will be made available in 1983-84. Recently, $6.5 million in extra funds was provided to these institutions.

Senior Citizens and Widows

Alberta provides a comprehensive package of programs for senior citizens in recognition of their remarkable pioneering contribution. For the first time, a pension will be available to widows and widowers of limited means who are in the 55 to 64 year old age group, many of whom have lost a wage-earning spouse. They will be eligible for the programs and benefits previously limited to those 65 years and over. Alberta is the only province to extend such major benefits to this special group in need.

To better protect senior citizens from rising shelter costs, the minimum property tax rebate benefit will be raised from $600 to $1,000 in 1983-84 and the senior citizen renter grant will rise from $1,000 to $1,200 per year. The total program cost will be about $110 million, an increase of over 58%.

The new Seniors Home Improvement Program will provide even more assistance than its predecessor, the popular Pioneer Repair Program. Grants of up to $3,000 will be available. Approximately 51,000 senior citizens are expected to benefit at an estimated cost of $31 million in 1983-84.

Our pioneers will also be assisted with home fuel costs under the new Senior Citizen Home Heating Grants Program which will provide grants of $100 for an estimated 75,000 senior citizen homeowners.

Social Services and Community Health

The budget for the Social Services and Community Health department will be close to $1.2 billion in 1983-84. Department staff will be reduced by 154 permanent, full-time positions through attrition, cancellation of vacant positions and other moves.

Funding for the Child Welfare Program will increase to over $131 million. The unique Extended Health Benefits Program and the generous Aids to Daily Living Program will increase by over 21% to almost $27 million in 1983-84.

Due to the large increase in the numbers of unemployed becoming eligible for support, the Social Allowance Program will increase by almost 70% to over $472 million.

Local health units will receive in excess of $81 million in 1983-84.

Affordable Shelter for Albertans

In recent years the government has given a very high priority to programs that bridged the affordability gap faced by homeowners and renters.

Albertans receive unparalleled shelter assistance, have more shelter choices and are, on average, better accommodated than virtually all other Canadians.

Direct subsidies to lower and middle income families under the Alberta Family Home Purchase Program will increase by over 43% to $66 million in 1983-84. Indirect subsidies to renters under the Core Housing Incentive Program are budgeted at $61 million, up almost 77%. The Heritage Fund Mortgage Interest Reduction Program benefits thousands of homeowners. The enriched Renter Assistance Tax Credit, effective January 1, 1983, will provide annual benefits of about $85 million.

Health Care, Hospitals and Nursing Homes

Albertans have access to a wide range of first-rate health care services.

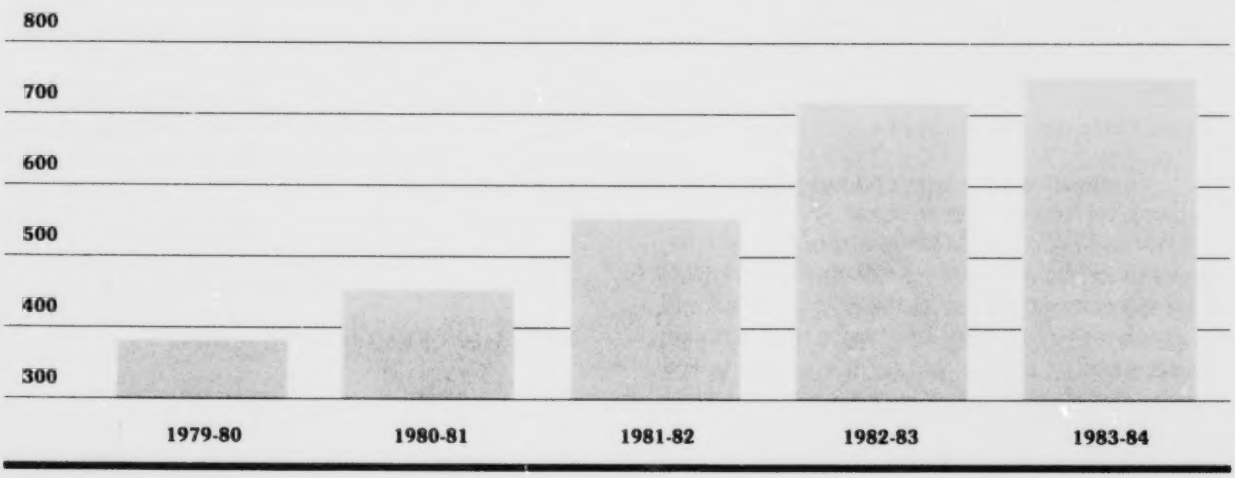
In 1983-84 the operating budget for active care and auxiliary hospitals and nursing homes will reach a record $1.4 billion, an increase of almost one quarter of a billion dollars over the 1982-83 comparable estimate. This includes more than $32 million for the operating cost of new and renovated hospitals.

Wage and salary settlements are a major component of escalating health care costs. To provide for the arbitration awards handed down in 1982 to nurses and other health care workers, supplementary funding of $72 million had to be provided.

Almost one-half of the total increase in 1983-84 health care operating costs is attributable to wage and salary increases.

Since 1973 the government has accepted responsibility for deficits incurred by hospital boards. This year over $19 million in supplementary financing was necessary to eliminate 1981-82 hospital deficits. Added cost efficiency must be built into the system to protect provincial taxpayers. As announced recently by the Minister of Hospitals and Medical Care, the province has discontinued its policy of automatically covering hospital deficits. New revenue sources for hospital boards are being considered.

OPERATING EXPENDITURE ON HEALTH CARE
(dollars per Albertan)



Basic and Advanced Education

On a per capita basis, Alberta continues to be among the top contributors to basic and advanced education. The budget this year is almost $1.75 billion, up from one and one-half billion in 1982-83.

Given the high quality of basic and advanced education services currently being provided, the new budget realities and the need for restraint, grants to school boards and all self-governing post-secondary institutions will be increased by 5% in 1983-84. This will add more than $86 million to those systems this year; there are no cutbacks.

Manpower

To focus on employment issues, the new department of Manpower will receive a budget of almost $54 million in 1983-84. This budget includes an initial appropriation of $13 million for special job retention, employment creation, training and retraining programs including the New Employment and Expansion Development Program, the Priority Employment Program and the Summer Temporary Employment Program. The government's capital budget this year will provide as many man-days of work as did the record capital budget of 1982-83.

Justice and Law Enforcement

To maintain the quality and efficiency of our judicial system, more than $51 million will be spent on court services in 1983-84. Financial support for legal aid will increase by almost 53% in 1983-84 to over $10 million.

Municipal police assistance grants will amount to over $30 million in 1983-84, an average increase of 5%. Funding for services of the Royal Canadian Mounted Police under the federal-provincial agreement will rise to almost $51 million.

Recreation and Culture

Edmonton will be a proud host to the World University Games in July. The province will provide operating assistance totaling over $7 million. A $1 million operating grant will support preparations for the 1988 Winter Olympics to be held in Calgary.

Funding will be provided to maintain Alberta's uniquely creative cultural programs supporting the fine and performing arts, libraries and historical preservation.

Native Affairs

The Native Venture Capital Corporation has been launched.

1983-84 is the second year of a five-year development program to provide industrial, recreational and water/sewer projects to eight Metis settlements at a cost of $1.4 million.

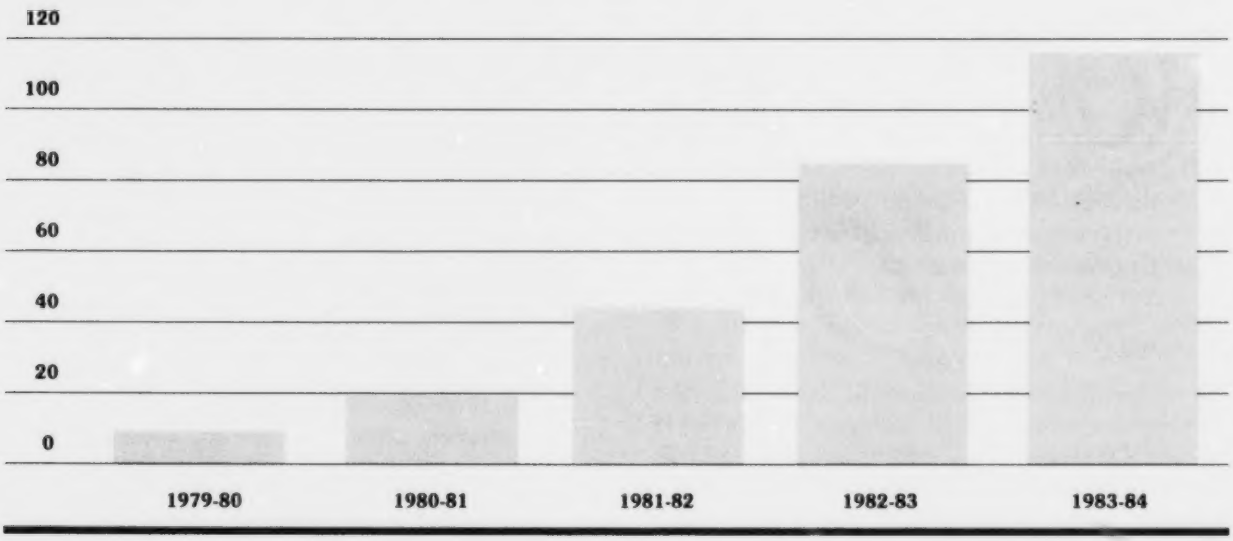
Assistance to Our Municipalities

Residents in Alberta municipalities enjoy among the lowest property taxes in Canada due in large measure to special provincial funding and the continuing benefits of the one billion dollar Municipal Debt Reduction Program of 1979-80.

Unconditional assistance grants to municipalities will increase by 5% in 1983-84 to a total of $92 million.

The only-in-Alberta Municipal Debenture Interest Rebate Program is forecast to increase by over 36% to a record $118 million in 1983-84. Municipal taxpayers benefit in a major way from the shielding of interest costs on the eligible debt of the cities, towns, villages, counties and municipal districts in which they live. No other province provides this reduction in property taxes. The total provincial subsidy committed to assist our municipalities during the years ahead is about $1.4 billion.

EXPENDITURE ON MUNICIPAL DEBENTURE INTEREST REBATE PROGRAM
(millions of dollars)



Agriculture and Agribusiness

Alberta's stable and efficient agriculture industry is an anchor of Alberta's economic and social life. Our twin goals are to sustain net farm income and to promote the family farm. The Economic Resurgence Plan provides unmatched protection for farmers from high input costs and stabilizes interest rates for them to an extent unique in Canada.

The department of Agriculture's budget for 1983-84 will be over $191 million, an increase of more than 15% over the 1982-83 comparable estimate.

The operating grant for the Agricultural Development Corporation will increase by almost 12% to more than $65 million. It provides attractive interest rebates which shield beginning farmers and other agricultural operators.

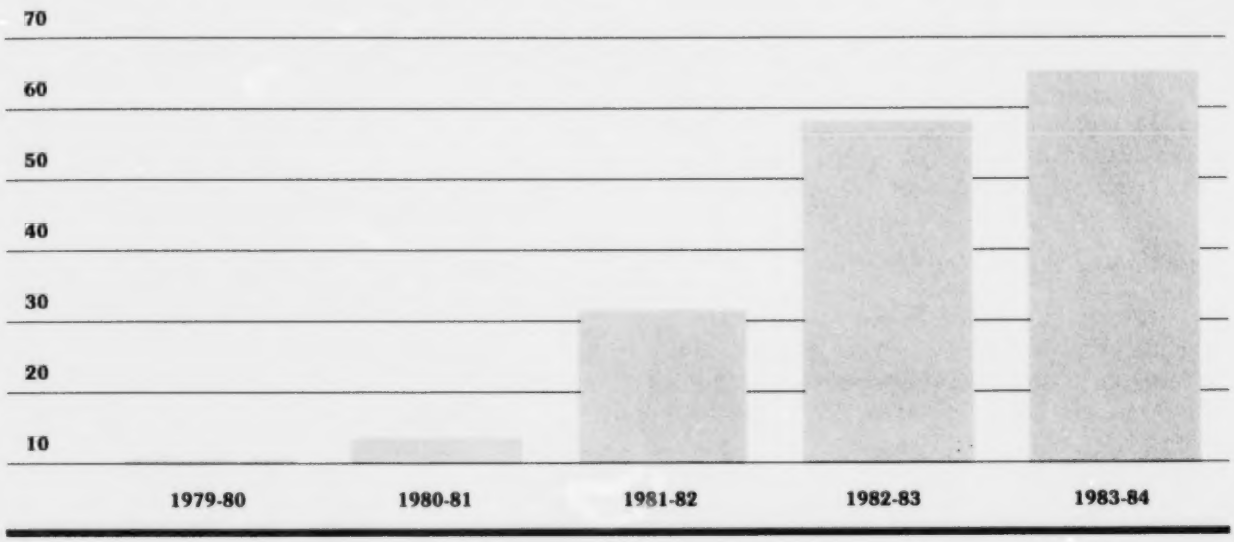
The Feed Freight Assistance Program will be extended to May 30, 1983 at a cost of $1.1 million. In 1982-83 supplementary funding of $6 million was approved to assist drought-stricken livestock producers.

The beef promotional campaign will receive one million dollars. The one-time Beef Cattle and Sheep Support Program provided more than $137 million to the industry.

Funding of the High Risk Subsidy provided to agricultural producers in northern Alberta who are part of the All-Risk Crop Insurance Program will increase nearly three-fold to $5.5 million in 1983-84. This enhancement complements the Northern Drought Disaster Crop Assistance Program, implemented in 1982-83 through supplementary funding of more than $26 million.

In 1983-84 a further $10 million in temporary assistance will be available to Alberta canola crushers.

OPERATING GRANTS TO THE ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION (millions of dollars)



Strengthening and Diversifying Alberta's Economy

Alberta's successful economic strategy has been to build on our natural and human resource strengths and to provide a climate which will enable the private sector economy to diversify in a balanced way. Although significant progress has been made over the past decade, the goal will take time. Realistically, much of the diversification has been and will be energy related. Economic diversification will not fully replace depleting resources as a source of government revenue.

In September, 1982 the province announced its intention to establish a new venture capital corporation which would provide financing to entrepreneurs seeking to develop innovative or high technology businesses. The newly created corporation, "VenCap Equities Alberta Ltd.", will aid job creation and further diversification of our economic base. To finance the corporation, $200 million will be invested by the Alberta Heritage Savings Trust Fund. To be operated at arms-length from the government, the corporation will also secure financing in the form of debentures and shares to be sold to the public.

The budget of the Economic Development department will rise by more than $37 million to almost $95 million in 1983-84. A large part of the increase involves Alberta's $65.5 million share of the ongoing construction costs of the Prince Rupert Grain Terminal Facility, which will benefit Alberta grain farmers for decades to come.

As part of the province's ongoing diversification effort, supplementary funding of $5.6 million was provided in 1982-83 to finance special projects in the medical/pharmaceutical and energy sectors.

The department of Tourism and Small Business will receive funding to continue assistance to

our significant tourist industry, which is expected to generate about $1.5 billion in gross revenue this year.

The Alberta Opportunity Company has helped to sustain businesses during these times, in addition to pursuing its traditionally successful role.

To assist further lumber and sawmill operators, $1 million is provided in Energy and Natural Resources' 1983-84 budget for the completion of the Timber Salvage Incentive Program.

Fair Energy Pricing for Albertans

Albertans pay the lowest energy prices in Canada. The Natural Gas Price Protection Plan reduces the price of natural gas to 65% of what other Canadians pay for our gas at the Alberta border. In 1983-84 an estimated $164 million in rebates for citizens will be paid out under the Plan.

The Alberta Electric Energy Marketing Agency, which started operations last fall, has a mandate to implement fair energy pricing across the province. Through the provision of annually diminishing grants, temporary shielding is provided to assist consumers. For 1983-84 provision is made for a maximum of $78.2 million in grants.

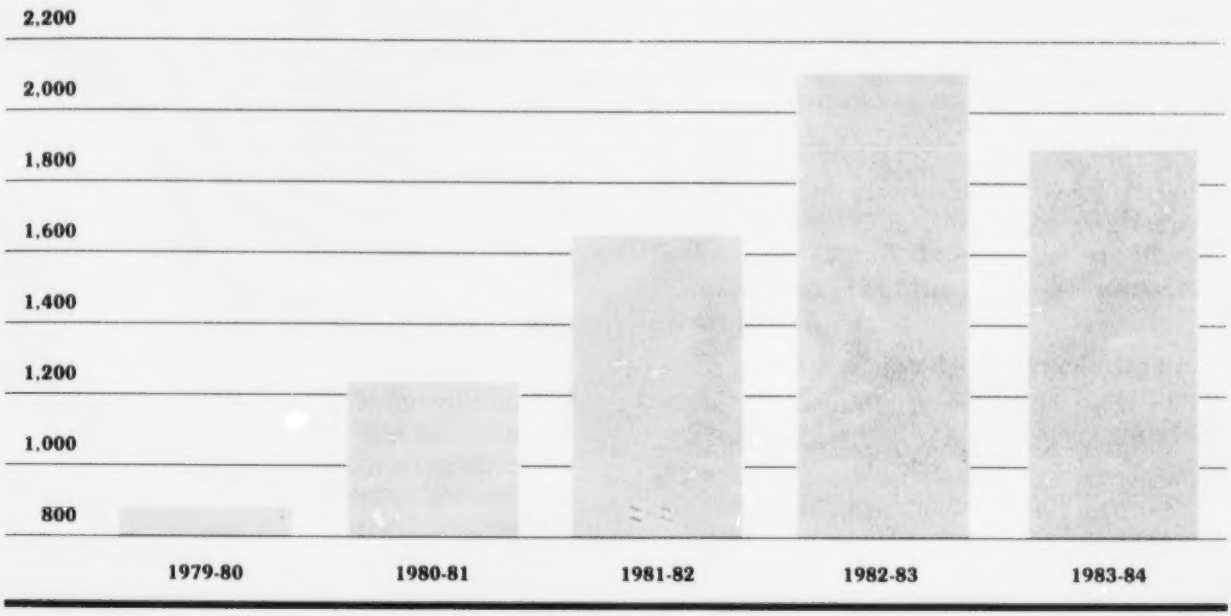
Capital Expenditure

Over the past five years especially, Alberta has had record increases in capital construction for hospitals, roads, schools and other needed facilities.

Albertans now have in place or underway most of the capital projects needed to provide quality services. Though the 1983-84 capital budget will decrease by 11% over 1982-83, lower costs and increased productivity mean that this year's $1.9 billion capital budget will produce at least the same man-years of work and activity as last year's.

Once again, Alberta will have one of the largest per capita capital construction programs in Canada, providing and retaining thousands of jobs. At approximately $1.9 billion, the 1983-84 capital budget is more than double that of only four years ago.

CAPITAL EXPENDITURE
(millions of dollars)



Health Care Facilities

Albertans have access to health care facilities that are second to none and even further improvements are being made. Currently underway are hospital construction and renovation projects valued at over $2 billion. In 1983-84 capital funding will reach a record level of close to $400 million, an increase of almost 24% over the 1982-83 comparable estimate. This ongoing Hospitals Construction Facility Program, which includes new equipment, is unmatched in Canada.

The Heritage Savings Trust Fund will continue its major support of health programs in Alberta. $102 million will be provided in 1983-84 for the construction and equipping of specialized hospitals in Edmonton and Calgary. A further $5.4 million will be committed to applied cancer research.

Transportation

Capital spending on the province's transportation network reached record levels in 1982-83. Over 2,400 kilometres of primary and secondary highways were upgraded.

The capital budget for transportation for 1983-84 will exceed two-thirds of a billion dollars.

$10 million will be provided for construction of the highway from Grande Prairie to Grand Cache. A further $10 million is budgeted for the Economic Stabilization Program and almost $45 million will fund the continued twinning of trans-Alberta highways 1 and 16.

Post-Secondary Institutions

Capital spending for universities, colleges and technical institutions will amount to over $151 million in 1983-84 compared to almost $180 million in the last budget. All previously approved capital projects are continuing on schedule with close to $45 million provided to complete or continue major construction projects at the University of Alberta, Athabasca University, Lakeland College and Mount Royal College. Planning will commence for a new central core at Lethbridge Community College and upgrading will be carried out at Olds, Fairview and Lakeland agricultural colleges.

Cultural, Recreational and Tourism Facilities

Nearly $26 million of capital construction spending on cultural and recreational facilities is approved for 1983-84. Work on the Tyrrell Museum in Drumheller, the Ukrainian Village near Elk Island Park and the Buffalo Jump Visitors Centre near Fort McLeod will be continued. Construction will begin on an Oil Sands Interpretive Centre in Fort McMurray. Capital construction relating to provincial parks will total nearly $9 million in 1983-84. $5 million in planning support will be provided for the 1988 Winter Olympics in Calgary.

To assist the City of Edmonton to finance the Edmonton Convention Centre, the province provided a capital grant of $20 million through supplementary funding in 1982-83. The Citadel Theatre received $5 million for a children's theatre, to be financed as well by significant volunteer efforts.

Utilities and Telecommunications

Funding for the Alberta Municipal Water Supply and Sewage Treatment Grant Program in 1983-84 will be $70 million. This program is reduced from last year and will be more modest in the years ahead. The Regional Utility Program will receive a 25% budget increase to $50 million in 1983-84.

Alberta Government Telephones is expected to invest $315 million in capital construction in 1983.

Housing

In recent years, Alberta's overheated economy and the large in-migration contributed to an undersupply of affordable homes and apartments. Massive financing for the Alberta Home Mortgage Corporation and the Alberta Housing Corporation was provided by the Heritage Savings Trust Fund. By the end of the 1982-83 fiscal year, these corporations will have committed over $4.3 billion to homes, apartments, condominiums, duplexes, senior citizen housing and nursing homes for Albertans.

Given the adjustment in Alberta's economic growth, the current budget realities and dropping in-migration, it is now appropriate that the government reduce its support and look to the private sector for a larger role, especially since interest rates have declined.

During 1983-84 about 8,200 units of accommodation will be financed compared to over 11,000 in 1982-83. New housing commitments in 1983-84 will require $645 million.

A commitment of $270 million will enable construction of about 4,000 single family homes under the Family Home Purchase Plan. Approximately 1,000 rental units will be financed under the Core Housing Incentive Program and the Modest Apartment Program at a cost of $55 million. Approximately 2,100 new senior citizen self-contained and lodge units will be financed at a cost of approximately $126 million.

Capital Programs of Major Crown Corporations

As a result of the reduction in the non-renewable resource revenue transfer to the Heritage Fund and the transfer of all its investment income to the General Revenue Fund, significantly less Heritage Fund support will be available in 1983-84 than has

been available in recent years to meet the financing requirements of our Crown corporations. Even with the application of all the Heritage Fund's new 1983-84 "growth" dollars, the total capital needs of the Capital Projects Division and of Crown corporations cannot be met from that source.

The Alberta Home Mortgage Corporation will require new financing of $400 million and the Alberta Housing Corporation is expected to require $353 million. The farm and agribusiness loan programs of the Alberta Agricultural Development Corporation will require $224 million and the Alberta Opportunity Company will borrow about $60 million. Continuing investments in the Capital Projects Division will commit $405 million and the proposed financing of the venture capital corporation involves $200 million. In addition, $75 million is needed for the Prince Rupert Grain Terminal.

These requirements total over $1.7 billion. To the extent that they cannot be provided in total by the Heritage Fund, the province will be obliged to seek alternative sources of funds in order to continue to deliver these programs and to ensure other existing capital project commitments are met.

The Alberta Municipal Financing Corporation and Alberta Government Telephones, which had previously been financed by the Heritage Fund, will now be obliged to meet their requirements by borrowing from other sources as is the case in other provinces. The Alberta Municipal Financing Corporation's expected financing requirements of $775 million will be met through borrowing from the Canada Pension Plan and public markets. Commencing early in 1983-84, Alberta Government Telephones' financing requirements, which total $280 million, will also be met by borrowing in the public market. This will be the financing strategy for these two corporations for the foreseeable future.

It is the intention of the government to reduce the capital requirements of all six of these Crown corporations over the next number of years.

Capital Projects of the Heritage Savings Trust Fund

In 1983-84 over $400 million of new financing to ongoing capital projects of the Heritage Fund will help provide jobs as well as bring lasting social and economic benefits to Albertans. Irrigation expansion, rehabilitation and improvement will receive almost $125 million. Continuing work totalling $102 million will be undertaken on hospitals and specialized health centres. Close to $70 million will be invested in oil sands and enhanced oil recovery programs. Urban parks now under development in smaller cities and continued work at Kananaskis Country Park will be supported by more than $50 million. Other projects include the new food processing development centre, reforestation activities, grazing reserve work and land reclamation.

Taxation

Given the new budget realities faced by Alberta, the unavoidable option of increasing tax revenue to reduce the size of the deficit was carefully weighed.

There will be no increase in personal income taxes and no increase in corporate income taxes in 1983.

There will continue to be no sales tax and no gasoline tax in Alberta. However, there are other areas where increased revenue must be secured.

Tobacco Tax

Alberta's tax on tobacco products has not changed since 1969. After allowing for inflation, this tax has in fact fallen substantially. It has dropped significantly relative to tobacco tax rates in other provinces. In 1982 Alberta's tobacco tax rate was 20% of that in British Columbia and Saskatchewan and only 17% of the tax in Ontario and Quebec.

Newfoundland's tobacco tax is ten times higher than the Alberta rate.

Effective midnight tonight, the tax on cigarettes will be increased from 0.32 cents a cigarette to 1.48 cents a cigarette. The tax on other tobacco products will be increased similarly. This measure will raise an additional $97 million in 1983-84.

Liquor

In February the Alberta Liquor Control Board announced increases in the prices of liquor, wine and beer which should boost revenue to the government by an estimated $35 million in 1983-84.

Health Care Premiums

While health care costs have been rising dramatically, premiums have not increased since mid-1981. It has been this government's long-standing view that Albertans should pay directly a portion of the costs of their comprehensive hospital and health care insurance programs. The premium system increases our citizens' awareness of health costs and underscores the crucial need to reduce the rate of increase of these costs.

Accordingly, effective July 1, 1983 Alberta health care premiums will rise from $9.50 per month for single persons to $14 per month. The rate for families will rise from $19 per month to $28. All senior citizens and low income Albertans will continue to be exempt from paying premiums. Even with this increase, Albertans will pay only about 33% of the real cost of their health care. This increase will generate an extra $58 million in 1983-84.

Interprovincial Tax Comparison

Albertans still enjoy, by a wide margin, the lowest tax rates in the country. Alberta's personal income tax rate of 38.5% of basic federal tax is the lowest in Canada and contrasts to 44% in British Columbia, 48% in Ontario and 51% in Saskatchewan. Albertans pay no retail sales tax while residents of other provinces face rates that range from 5 to 12%. Alberta is one of only two provinces that levies no gasoline tax; most other Canadians pay gasoline taxes of 20% or more of the price of fuel.

MAJOR PROVINCIAL TAX RATES[a]

	Personal Income Tax[b] (%)	Retail Sales Tax (%)	Gasoline Tax (%)	Tobacco Tax (¢/cig)	Health Care Premiums[c]		Corporate Income Tax[d] (%)	Capital Tax (%)
					Individual ($)	Family ($)		
British Columbia	44.0	6	20	1.60	180	384	8/16	0.20
Alberta	38.5	—	—	1.48	168	336	5/11	—
Saskatchewan	51.0	5	—	1.68	—	—	10/14	0.30
Manitoba	54.0	6	19	2.10	—	—	10/16	0.20
Ontario	48.0	7	20	2.04	324	648	0/13/14	0.30
Quebec	—	9	40	2.03	—	—	3/5.5/13	0.45
New Brunswick	55.5	8	16	1.84	—	—	9/14	—
Prince Edward Island	52.5	10	22	1.00	—	—	10	—
Nova Scotia	56.5	10	20	1.40	—	—	10/15	—
Newfoundland	60.0	12	22	4.28	—	—	12/16	—

[a] At March 18, 1983.

[b] Personal Income Tax. Expressed as a percentage of basic federal tax except for Quebec where the tax rate ranges from 13 to 33% of Quebec taxable income.

[c] Health Care Premiums. British Columbia's rate for families of three or more members. Alberta's rate at July 1, 1983. Quebec has a 3% payroll tax to finance its Health Services Fund, and Manitoba has a 1.5% Health and Post-Secondary Education Levy (payroll tax).

[d] Corporate Income Tax. Small business rate is first, followed by the general rate. Ontario has a two-year tax holiday for small businesses for taxation years ending between May 13, 1982 and May 14, 1984. The middle rate in Ontario and Quebec is on income which qualifies for the federal manufacturing and processing deduction, and income from mining, logging, farming and fishing.

Based on these lower tax rates, a family of four with a $30,000 income in Alberta would pay only $1,800 in provincial taxes. A similar family unit in British Columbia would pay over $2,700 and an Ontario family would pay $3,300.

The reason that Albertans enjoy the lowest taxes in Canada is, of course, the revenue from depleting natural resources. Alberta's revenue structure stands out in very real contrast to that of other provinces. In Alberta about 50% of total revenue is derived directly from non-renewable resources whereas in the other provinces, on average, less than 4% of their revenue is derived from non-renewable resources. Personal and corporate tax revenue accounts for about 22% of Alberta's total revenue; in the other provinces personal, corporate, sales and gasoline taxes account for an average of nearly 60% of total revenue.

The message is unmistakable – Alberta's high quality of services are being financed largely from non-renewable resources, not from personal and business taxes. In the past this situation has fueled public demands for more and even higher quality services.

We must recognize that there has been a major structural change in the world demand for oil over the past two years. The result will be a much lower oil price in the world marketplace over the next few years than previously forecast. This reality will have two consequences for Alberta's revenue: first, the rate of increase of revenue from oil will be much less than in previous years; and second, increases in the price and volume of natural gas sales will be constrained in the near term.

Therefore, the government and Alberta's citizens will be obliged to respond to these new circumstances with more realistic expectations as to the capacity of the provincial government to continue to provide high-cost services without major tax increases.

Revenue Outlook

Non-Renewable Resource Revenue

The sensitivity of Alberta's oil and gas revenue to global energy developments makes current revenue forecasting very difficult. Decisions by the Organization of Petroleum Exporting Countries (OPEC), the United States and the federal government have a direct bearing on Alberta's resource revenue. We will continue to devote priority efforts to convincing the federal government of the urgent need to resolve outstanding energy marketing problems and issues.

Given the state of flux in the world energy situation, resource revenue is likely to be highly unpredictable and erratic. This makes budget planning very difficult since most expenditure programs grow more steadily; they cannot easily be turned off and on. Therefore, we must now respond to a lower rate of economic growth and lower revenue with a lower rate of expenditure increase. This approach must continue for a number of years because serious revenue shortfalls in the future would have to be made up by undesirably large tax increases.

In preparing the budget estimates of oil and gas revenue, we have assumed a Saudi marker price of $29 U.S. per barrel. The price Alberta receives for oil discovered after January, 1981 depends directly on world levels. Alberta's old oil is assumed to remain at its current price of $29.75 per barrel. Oil production in 1983-84 should be at roughly the same level as over the past year. Based on these assumptions, conventional crude oil royalties are estimated at $2.55 billion in 1983-84, an increase of 11% over the 1982-83 revised forecast.

Natural gas sales within Canada are expected to be up slightly over 1982-83 levels. Domestic prices are, by agreement, to rise by 25 cents per thousand cubic feet in August and next February. Exports, however, are likely to be no higher than the level of the past 12 months due to continued weak demand and stiff competition from other fuels and United States gas producers. We estimate natural gas and by-products royalties at $2.24 billion, up 9.5% over 1982-83.

Bonuses and sales of Crown leases have always been difficult to forecast and have shown wide swings from one year to the next. The estimate for 1983-84 is $400 million as compared to a forecast of $360 million this year. Petroleum Incentives Program payments, a deduction from resource revenue, are forecast at $500 million in 1983-84.

Net non-renewable resource revenue flowing to the province in 1983-84, including the transfer to the Heritage Fund, is estimated at $4.8 billion. In 1982-83 the comparable forecast was $4.4 billion.

World oil prices and markets may well continue to be volatile in 1983. Our revenue predictions may have to be revised.

Provincial Taxes

Provincial net personal income tax revenue is estimated at $1.5 billion in 1983-84. It is lower than the 1982-83 revised forecast because Alberta received in January about $179 million in prior-year adjustment payments from the federal government due to their underestimation of Alberta's share of the national tax base.

Corporate income tax revenue, net of most deductions, is forecast at $506 million in 1983-84. The revised 1982-83 forecast is $503 million. The Royalty Tax Credit primarily for smaller producers is estimated at $657 million in 1983-84 and will decline in following years.

Overall, total net taxes are projected to increase by 1.3% in 1983-84 to $1.7 billion.

Payments from the Government of Canada

Payments from the federal government are expected to be $964 million in 1983-84, up slightly from the 1982-83 revised forecast. Our estimate

assumes no change in the current federal-provincial system of financing health care and post-secondary education although the federal government has threatened reductions if the provinces do not accept federal conditions in these provincial areas of jurisdiction. The provinces are already having a difficult time meeting rising costs; reductions in health care and post-secondary education funding would make the problem worse. In these difficult economic times governments should jointly pursue stability and cooperation.

Overall Revenue Outlook

In 1983-84 total ordinary budgetary revenue is estimated at $6.6 billion, an increase of 6% over the revised 1982-83 forecast.

The reduction in the allocation of non-renewable resource revenue to the Heritage Fund from 30% to 15% will add an estimated $743 million to budgetary revenue in 1983-84. The use of a full year's Heritage Fund investment income to finance the Economic Resurgence Plan will add a further $1.5 billion to budgetary revenue. In total, then, the two special changes to Heritage Fund policy will raise budgetary revenue in 1983-84 by $2.2 billion to an estimated total of $8.8 billion.

The 1983-84 Financial Plan

The government's budgetary plan for 1983-84 is shown in the accompanying table. A budgetary deficit of $845 million is estimated in 1983-84. If it were not for the two special changes to Heritage Fund policy, the deficit would be $3.1 billion.

Financing Strategy

The financial plan set forth tonight will require borrowing in capital markets in 1983-84.

The capital requirements for the Alberta Municipal Financing Corporation and for Alberta Government Telephones will be met by market borrowing as is the practice in other provinces. This will be a continuing policy of the Alberta government. The borrowing program for the Municipal Financing Corporation was initiated in December, 1982 with a very successful $250 million debenture issue in the Canadian market. A subsequent $200 million issue was completed last month.

The Heritage Fund may not have sufficient funds to meet the total capital requirements of the Alberta Agricultural Development Corporation, the Alberta Home Mortgage Corporation, the Alberta Housing Corporation and the Alberta Opportunity Company. To support the important programs offered through these corporations, some borrowing may be required. In future these four Crown corporations will be obliged to reduce the extent to which they use Heritage Fund financing.

Depending on market conditions, a portion of the overall requirements may be met by selling financial assets from the General Revenue Fund and from the Heritage Fund.

The Canadian market is expected to be able to provide a large part of the financing requirements but depending on the availability of funds and relative interest rates, part of the borrowing may be done in other markets.

Alberta's AAA credit rating will allow us to borrow at interest rates among the lowest available to any government borrower in the world. However, this access to markets on very attractive terms rel-

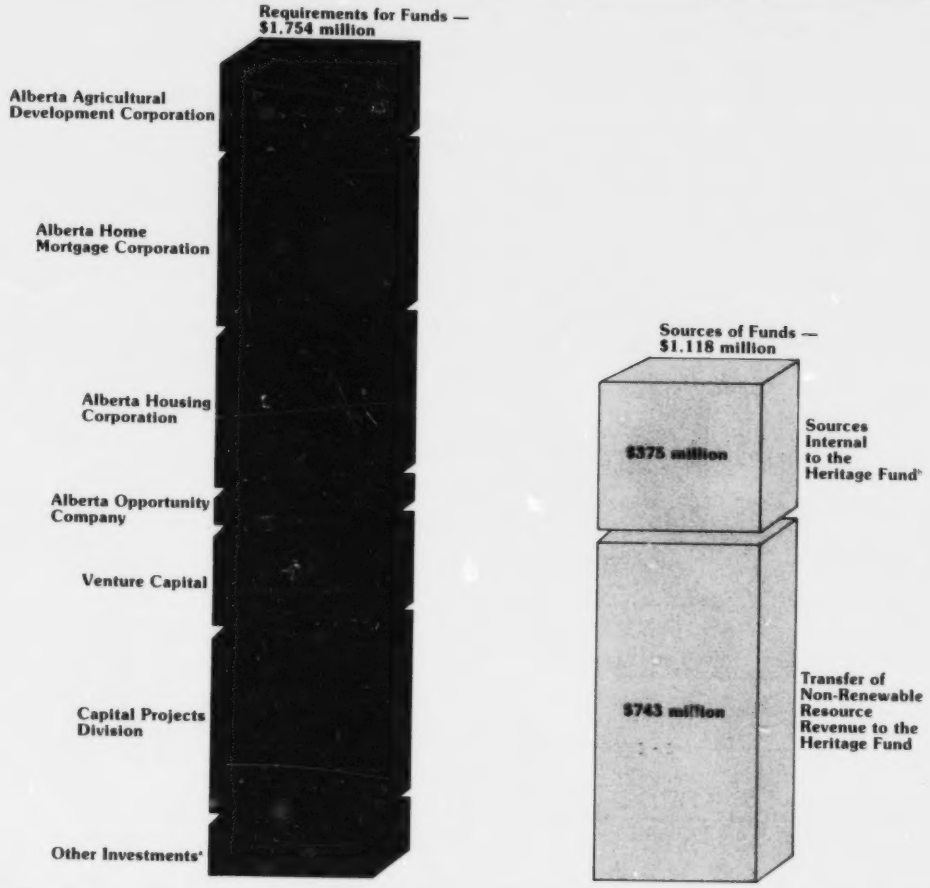
SUMMARY BUDGETARY PLAN
(millions of dollars)

	1983-84 Estimate[a]	1982-83 Forecast[b]	1982-83 Estimate	1981-82 Actual
Budgetary Revenue				
Ordinary with 30% Heritage Fund Transfer	6,597	6,230	6,520	7,085
Reduction in Heritage Fund Transfer to 15%	743	—	—	—
Heritage Fund Investment Income	1,500	860	—	—
	8,840	7,090	6,520	7,085
Budgetary Expenditure				
Voted Appropriations				
Operating	7,576	7,042	6,627	5,259
Capital	1,892	2,112	2,127	1,645
Statutory Appropriations	217	331	277	140
	9,685	9,485	9,031	7,044
Budgetary Surplus (Deficit)	(845)	(2,395)	(2,511)	41

a The 1983-84 estimate does not include expenditure proposals for the Legislative Assembly.

b The 1982-83 forecast reflects the updated financial plan released on February 10, 1983.

ALBERTA HERITAGE SAVINGS TRUST FUND — SOURCES AND REQUIREMENTS FOR FUNDS, 1983-84


Requirements for Funds — $1,754 million
Alberta Agricultural Development Corporation
Alberta Home Mortgage Corporation
Alberta Housing Corporation
Alberta Opportunity Company
Venture Capital
Capital Projects Division
Other Investments*
Sources of Funds — $1,118 million
$375 million
Sources Internal to the Heritage Fund**
$743 million
Transfer of Non-Renewable Resource Revenue to the Heritage Fund

* Includes investments in the Prince Rupert Grain Terminal and the Syncrude Project.

** Repayments, maturities and disposals net of a provision for non-cash income items and administrative expenses (see Appendix B).

ative to other borrowers is critically dependent on our ability to maintain Alberta's premium credit standing. In turn this means a continuing commitment to responsible financial management.

In the face of the significant budgetary deficit for 1983-84, a reasonable question is: why did the government not cancel the resource revenue transfer to the Heritage Fund entirely, instead of just cutting it in half to 15%? There are three main reasons:

- The new dollars going to the Heritage Fund are needed to finance both the Capital Projects Division investments and the programs of some provincial Crown corporations. The existing dollars in the Heritage Fund are fully invested and committed.
- The 15% transfer maintains the savings concept of the Heritage Fund, even in the current difficult economic times.

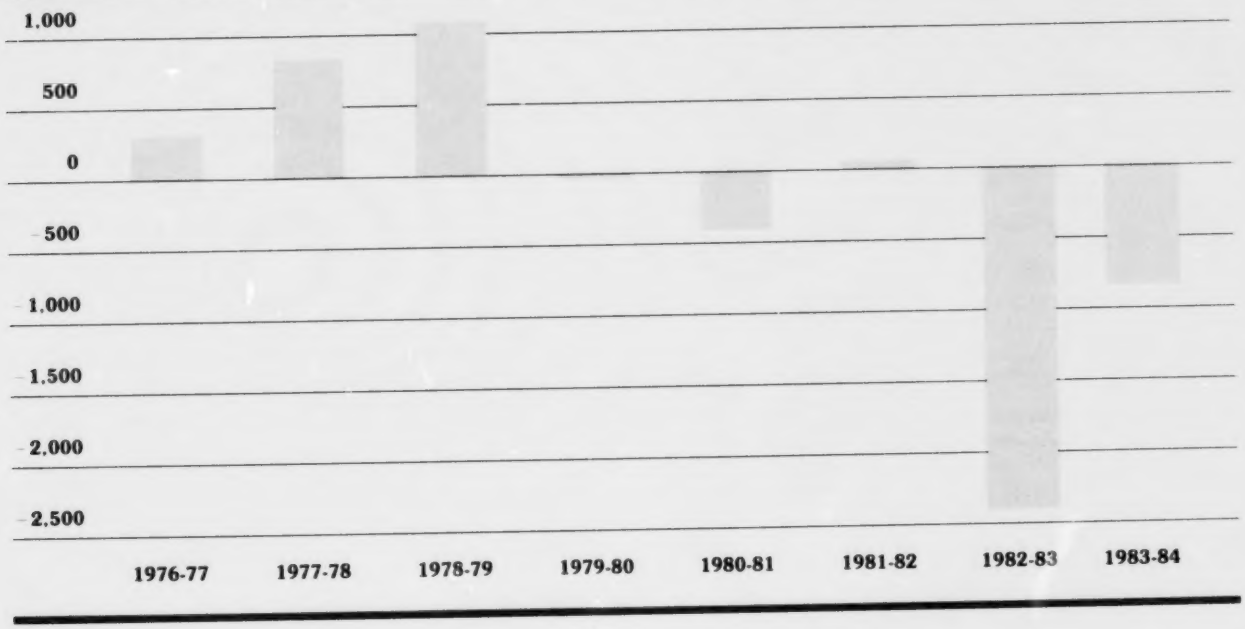
– Current high budgetary deficits are not expected to persist. It is therefore more appropriate to finance these deficits with shorter term borrowings rather than a permanent withholding of the transfer to the Heritage Fund.

However, if there are unexpected changes to oil and gas revenue, the 15% allocation may have to be reassessed.

The rate of government expenditure growth must be steadily reduced over a number of years to close the gap between revenue and expenditure. To delay this exercise in discipline would mean even more difficult decisions in the years ahead.

If our non-renewable resource revenue forecasts change materially in the months ahead, this financial plan may be revised accordingly.

BUDGETARY SURPLUS AND DEFICIT
(millions of dollars)



Summary and Highlights

In summary, the budget highlights are

- a major reduction – to 7.5% – in the rate of growth of total budgetary expenditure, compared to nearly 35% last year;
- a significant drop in the budgetary deficit from over $2 billion last year to $845 million in 1983-84;
- a reduction in the size of the public service;
- an increase in tobacco taxes and health care premiums;
- a $1.9 billion capital works budget creating as much job activity as last year's record public works budget;
- programs to sustain jobs and to reinforce confidence in the private sector; and
- no cutbacks in the dollar funding of people programs and services.

In the adjustment year of 1983, this Budget provides support for private sector economic resurgence with a background of confidence, and with the knowledge that our underlying strength will enable Alberta to move steadily towards sustained economic growth in the eighties.

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General Revenue Fund

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General Revenue Fund

The General Revenue Fund of the province receives all public money, except money over which the Legislature has no power of appropriation and money which is otherwise specially disposed of by legislation. The Legislature has no power of appropriation over money which is paid in trust to the province to be used for the purposes prescribed by the payer or settlor. Legislation may direct that fees or other revenue be paid into a regulated fund to be used for special purposes. All other public money is paid into the General Revenue Fund.

Expenditure is made from the General Revenue Fund on the authority of supply votes approved by the Legislature, including special warrants ordered by the Lieutenant Governor in Council which are deemed to be supply votes. This expenditure is reported in the General Revenue Fund financial statements as "Budgetary Expenditure – Voted Appropriations".

Expenditure may be made from the General Revenue Fund on the authority of legislation which may direct the transfer of revenue to another fund, shown in the financial statements as a reduction of budgetary revenue, or which directs certain types of expenditure which are disclosed as "Budgetary Expenditure – Statutory Appropriations".

The term "Budgetary" is used to describe revenue or expenditure that affects General Revenue Fund "Net Assets".

A Guide to the Tables

To highlight the major and temporary changes to Heritage Fund policy which impact on budgetary revenue in 1983-84, three budgetary revenue lines are shown: "Ordinary Revenue"; "Reduction in the Heritage Fund Transfer to 15%" and "Heritage Fund Investment Income". Since 1976, "Ordinary Revenue" has included the transfer of 30% of non-renewable resource revenue to the Alberta Heritage Savings Trust Fund. For two years starting in 1983-84, the transfer to the Heritage Fund will be reduced to 15%. In addition, the investment income earned on Heritage Fund assets will be transferred to the General Revenue Fund for a 24 month period starting September 1, 1982.

The 1982-83 comparable budget estimates include the royalty reduction and enriched royalty tax credit measures announced in April, 1982 as part of the Alberta Oil and Gas Activity Program and the supplementary estimates of expenditure also announced in April, 1982.

Table A1

General Revenue Fund
BUDGETARY REVENUE AND EXPENDITURE
(thousands of dollars)

	1983-84 Estimate*	1982-83 Forecast	1982-83 Estimate	1981-82 Actual
Revenue				
Ordinary Revenue				
Taxes	1,727,000	1,705,000	1,556,000	1,947,363
Non-Renewable Resource Revenue at 30% Transfer	3,302,000	3,013,000	3,627,000	3,329,439
Payments from Government of Canada	964,000	949,000	716,000	1,007,125
Fees, Permits and Licences	183,000	160,000	182,000	169,058
Utility and Trading Profits	272,000	227,000	210,000	188,882
Other Revenue	149,000	176,000	229,000	442,843
	6,597,000	6,230,000	6,520,000	7,084,710
Reduction in Heritage Fund Transfer to 15%	743,000	—	—	—
Heritage Fund Investment Income	1,500,000	860,000	—	—
	8,840,000	7,090,000	6,520,000	7,084,710
Expenditure				
Voted Appropriations				
Health	2,406,021	2,118,533	2,015,245	1,544,225
Education	2,005,582	1,940,125	1,883,936	1,587,326
Social Services	1,153,545	969,785	890,216	702,980
Regional Planning and Development	261,440	244,150	221,335	156,113
Housing	495,008	306,997	209,407	150,537
Recreation and Culture	152,008	201,020	178,504	170,270
Environment	104,170	156,495	158,045	191,018
Resource Conservation and Industrial Development	592,103	1,010,207	741,422	584,869
Transportation and Communications	1,124,802	1,264,475	1,182,689	982,305
Protection of Persons and Property	368,834	339,995	322,882	298,707
General Government	694,589	782,030	854,722	535,506
Salary Contingency	110,000	40,000	96,000	—
	9,468,102	9,373,812	8,754,403	6,903,856
Statutory Appropriations	217,350	331,291	276,626	139,851
	9,685,452	9,705,103	9,031,029	7,043,707
Allowance for Unexpended Balances	—	(220,103)	—	—
	9,685,452	9,485,000	9,031,029	7,043,707
Budgetary Surplus (Deficit)	(845,452)	(2,395,000)	(2,511,029)	41,003

* The 1983-84 estimate does not include expenditure proposals for the Legislative Assembly which will be presented in a separate document.

General Revenue Fund
BUDGETARY REVENUE
(thousands of dollars)

Table A2

	1983-84 Estimate	1982-83 Forecast	1982-83 Estimate	1981-82 Actual
Taxes				
Personal income tax, net	1,518,000	1,645,000	1,560,000	1,322,699
Corporate income tax *	506,000	503,000	631,000	547,709
Less: Royalty tax credit	(657,000)	(674,000)	(888,000)	(131,993)
Freehold reserves tax	182,000	156,000	179,000	134,826
Pari-mutuel tax	13,000	13,000	12,000	11,265
Tobacco tax	125,000	26,000	26,000	26,663
Other taxes	40,000	36,000	36,000	36,194
	1,727,000	1,705,000	1,556,000	1,947,363
Non-Renewable Resource Revenue				
Crude oil royalty	2,550,000	2,296,000	2,383,000	2,177,983
Natural gas and by-products royalty	2,237,000	2,043,000	2,412,000	1,956,294
Synthetic crude oil royalty	296,000	382,000	450,000	229,714
Coal royalty	6,000	13,000	11,000	11,921
Rentals and fees	109,000	93,000	112,000	102,879
Bonuses and sales of Crown leases	400,000	360,000	725,000	556,914
Less: Exploratory drilling and geophysical incentive credits	(146,000)	(113,000)	(200,000)	(156,205)
Allocation to Alberta Petroleum Incentives Program Fund	(500,000)	(660,000)	(500,000)	—
	4,952,000	4,474,000	5,393,000	4,879,500
30% Allocation to Alberta Heritage Savings Trust Fund	(1,486,000)	(1,342,000)	(1,618,000)	(1,463,850)
Allocation to Natural Gas Rebates Fund	(164,000)	(119,000)	(148,000)	(86,211)
	3,302,000	3,013,000	3,627,000	3,329,439
Payments from Government of Canada				
Hospital insurance	244,000	225,000	176,000	260,950
Canada assistance plan	375,000	300,000	207,000	239,197
Post-secondary education	156,000	143,000	112,000	167,856
Training of manpower	43,000	43,000	37,000	34,505
Extended health care	86,000	82,000	74,000	69,329
Energy resources research	—	—	—	24,000
Oil export charge	10,000	106,000	65,000	160,950
Other	50,000	50,000	45,000	50,338
	964,000	949,000	716,000	1,007,125
Fees, Permits and Licences				
Motor vehicle licences	83,000	69,000	86,000	70,609
Land titles	25,000	23,000	31,000	26,765
Timber rentals and fees	11,000	5,000	11,000	9,391
Other	64,000	63,000	54,000	62,293
	183,000	160,000	182,000	169,058
Utility and Trading Profits				
Alberta Liquor Control Board	270,000	225,000	198,000	187,500
Other	2,000	2,000	12,000	1,382
	272,000	227,000	210,000	188,882
Other Revenue				
Investment income	59,000	95,000	150,000	346,136
Refunds of expenditure	42,000	40,000	40,000	47,846
Fines and penalties	23,000	21,000	21,000	20,655
Sales of assets	12,000	10,000	9,000	13,555
Miscellaneous	13,000	10,000	9,000	14,651
	149,000	176,000	229,000	442,843
Total Ordinary Revenue	6,597,000	6,230,000	6,520,000	7,084,710
Reduction in Heritage Fund Transfer to 15%	743,000	—	—	—
Heritage Fund Investment Income	1,500,000	860,000	—	—
Total Budgetary Revenue	8,840,000	7,090,000	6,520,000	7,084,710

* Net of rental investment tax credit and allocation to Utility Companies Income Tax Rebates Fund

General Revenue Fund
DEDUCTIONS FROM INCOME TAX REVENUE
(thousands of dollars)

Table A3

	1983-84 Estimate	1982-83 Forecast	1982-83 Estimate	1981-82 Actual
Personal Income Tax				
Renter assistance credit	39,000	32,000	32,000	33,543
Royalty tax credit	30,000	10,000	10,000	10,063
	69,000	42,000	42,000	43,606
Corporate Income Tax				
Royalty tax credit	657,000	674,000	888,000	131,993
Rental investment tax credit	15,000	15,000	15,000	—
Allocation to Utility Companies Income Tax Rebates Fund	25,000	25,000	25,000	33,028
	697,000	714,000	928,000	165,021
Total Deductions	766,000	756,000	970,000	208,627

General Revenue Fund
BUDGETARY EXPENDITURE – VOTED APPROPRIATIONS
(thousands of dollars)

TABLE A4

	1983-84 Estimate[a]	1982-83 Forecast	1982-83 Estimate[b]	1981-82 Actual[b]
Legislative Assembly	—	27,657	23,605	19,876
Government				
Advanced Education	818,542	812,080	778,586	666,421
Agriculture	191,293	220,839	165,897	278,567
Attorney General	118,961	109,529	100,704	92,547
Consumer and Corporate Affairs	25,256	25,319	19,863	35,721
Culture	51,000	78,923	71,053	34,925
Economic Development	94,738	61,276	57,587	20,991
Education	1,116,970	1,041,117	1,040,838	871,024
Energy and Natural Resources	203,736	581,664	449,492	229,822
Environment	104,170	156,495	158,045	191,019
Executive Council	127,923	127,914	120,613	98,647
Federal and Intergovernmental Affairs	5,441	5,387	5,488	4,527
Hospitals and Medical Care	2,200,047	1,919,095	1,824,953	1,385,262
Housing	495,009	306,997	209,407	150,537
Labour	25,261	22,695	23,504	20,803
Manpower	53,941	71,451	49,679	37,537
Municipal Affairs	371,748	314,078	291,263	215,605
Public Works, Supply and Services	523,803	586,088	668,822	417,340
Recreation and Parks	101,008	122,097	107,451	135,345
Social Services and Community Health	1,212,942	1,061,041	975,500	772,535
Solicitor General	207,871	189,269	186,065	156,283
Tourism and Small Business	50,903	96,228	20,119	17,960
Transportation	854,299	971,275	921,516	786,422
Treasury	132,737	132,098	127,180	68,257
Utilities and Telecommunications	270,503	293,200	261,173	195,883
Salary Contingency	110,000	40,000	96,000	—
	9,468,102	9,346,155	8,730,798	6,883,980
Allowance for Unexpended Balances[c]	—	(220,103)	—	—
Total	9,468,102	9,153,709	8,754,403	6,903,856

[a] The 1983-84 estimate does not include expenditure proposals for the Legislative Assembly which will be presented in a separate document.

[b] Restated to conform to the presentation of the 1983-84 estimate.

[c] The 1982-83 forecast includes an allowance for lapsed expenditure authority based on historical trends.

General Revenue Fund **Table A5**

VOTED APPROPRIATIONS – OPERATING AND CAPITAL EXPENDITURE

(thousands of dollars)

	1983-84 Estimate		
	Operating	**Capital**	**Total**
Advanced Education	666,853	151,689	818,542
Agriculture	178,942	12,351	191,293
Attorney General	115,988	2,973	118,961
Consumer and Corporate Affairs	20,674	4,582	25,256
Culture	40,168	10,832	51,000
Economic Development	25,492	69,246	94,738
Education	1,070,245	46,725	1,116,970
Energy and Natural Resources	190,063	13,673	203,736
Environment	60,138	44,032	104,170
Executive Council	125,310	2,613	127,923
Federal and Intergovernmental Affairs	5,428	13	5,441
Hospitals and Medical Care	1,800,603	399,444	2,200,047
Housing	487,256	7,753	495,009
Labour	25,047	214	25,261
Manpower	53,585	356	53,941
Municipal Affairs	369,763	1,985	371,748
Public Works, Supply and Services	292,017	231,786	523,803
Recreation and Parks	56,445	44,563	101,008
Social Services and Community Health	1,207,908	5,034	1,212,942
Solicitor General	206,844	1,027	207,871
Tourism and Small Business	50,895	8	50,903
Transportation	184,289	670,010	854,299
Treasury	132,250	487	132,737
Utilities and Telecommunications	100,119	170,384	270,503
Salary Contingency	110,000	—	110,000
Total	7,576,322	1,891,780	9,468,102

General Revenue Fund
BUDGETARY EXPENDITURE – STATUTORY APPROPRIATIONS
(thousands of dollars)

Table A6

	1983-84 Estimate	1982-83 Forecast	1982-83 Estimate*	1981-82 Actual*
Revolving Funds (net)				
Culture Revolving Fund	(180)	64	14	(27)
Gas Alberta Operating Fund	(193)	(176)	—	(1,002)
Land Purchase Fund	49,490	203,199	225,875	60,760
Public Works, Supply and Services Revolving Fund	1,654	4,629	8,663	11,935
School Book Branch	(571)	(1,313)	623	4,612
Transportation Revolving Fund	12,839	15,209	11,710	22,178
Water Resources Revolving Fund	42	129	194	241
	63,081	221,741	247,079	98,697
Blind Workers' Compensation Act	3	3	5	—
Retirement Annuities Act	16	16	19	19
Provision for doubtful accounts and loans	4,000	4,000	4,000	4,358
Provision for reduction of investments to market	—	—	1,000	13,757
Provision for exchange on debt payable in United States funds	250	250	250	1,305
Debt servicing costs	150,000	105,281	24,273	21,715
	154,269	109,550	29,547	41,154
Total	217,350	331,291	276,626	139,851

* Restated to conform to the presentation of the 1983-84 estimate.

General Revenue Fund **Table A7**
REPORTED ASSETS, LIABILITIES AND NET ASSETS
AT MARCH 31, 1982*
(thousands of dollars)

	1982	1981
Assets		
Cash and term deposits	1,267,073	1,670,617
Accounts receivable	971,562	680,522
Investments – marketable securities	881,863	601,550
Investments – long term	59,791	46,403
Loans and advances to government enterprises	48,555	41,411
Loans and advances – other	45,665	53,351
	3,274,509	3,093,854
Liabilities and Net Assets		
Liabilities		
Accounts and loans payable	741,731	572,117
Unearned revenue and suspense	60,764	79,627
Unmatured debt	145,470	156,663
	947,965	808,407
Net Assets		
Net assets at beginning of year	2,285,447	2,697,088
Budgetary surplus (deficit)	41,097	(411,641)
Net assets at end of year	2,326,544	2,285,447
	3,274,509	3,093,854
Indirect liabilities	365,287	361,558

* Readers should refer to the Public Accounts of Alberta for explanatory notes and supporting schedules.

General Revenue Fund
CHANGE IN UNMATURED DEBT
(thousands of dollars)

Table A8

Unmatured debt at March 31, 1982		145,470
Add:		
91 day Treasury bills	1,231,084	
Amortization of discount	30,317	
Other	14,424	
	1,275,825	
Deduct:		
Redemption of 91 day Treasury bills	620,000	
Sinking fund contribution	3,834	
Sinking fund earnings	8,099	
Other	7,331	
	639,264	
		636,561
Unmatured debt at December 31, 1982		782,031

General Revenue Fund
INDIRECT LIABILITIES
(thousands of dollars)

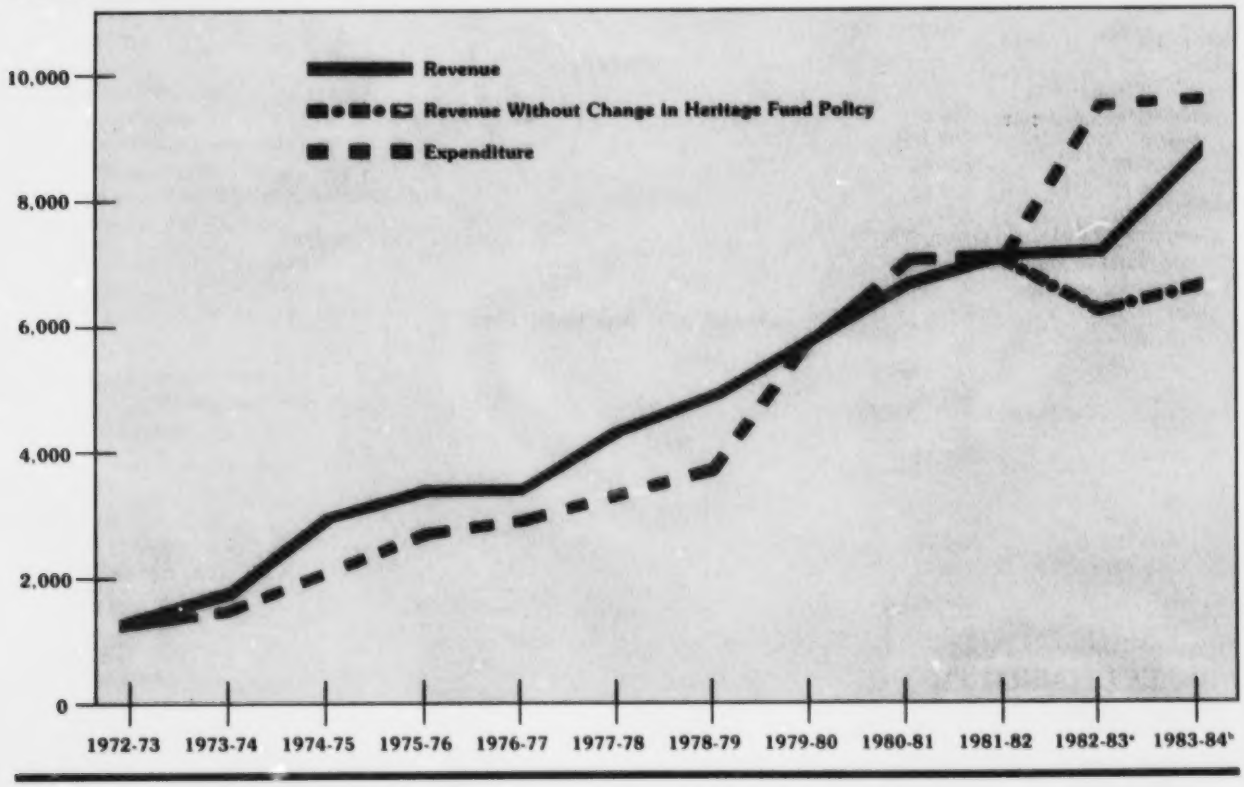
Table A9

	At December 31	At March 31[a]	
	1982	1982	1981
Guaranteed Debenture Debt:[b]			
AEC Power Limited	224,881	230,000	230,000
Other	—	—	29
	224,881	230,000	230,029
Guaranteed Loans:			
Agricultural Societies Act	6,050	6,478	6,568
Co-operative Marketing Associations Guarantee Act	2,427	2,826	4,673
Government Emergency Guarantee Act	14,574	14,522	16,093
Students Loan Guarantee Act	44,265	40,517	29,786
Other	56,754	70,944	74,409
	124,070	135,287	131,529
Total Indirect Liabilities	348,951	365,287	361,558

[a] Readers should refer to the Public Accounts of Alberta for explanatory notes and supporting schedules.
[b] Excludes liabilities of government entities and intra-governmental holdings.

BUDGETARY REVENUE AND EXPENDITURE
(millions of dollars)

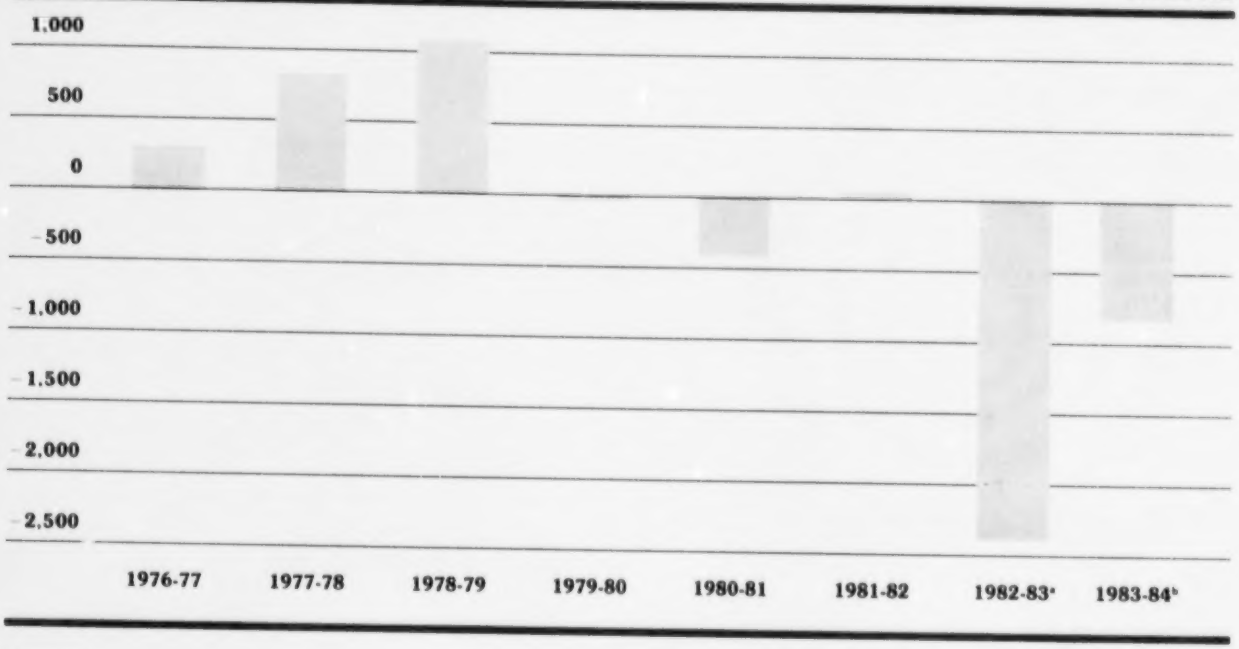
Chart A1



* Forecast
^ Estimate

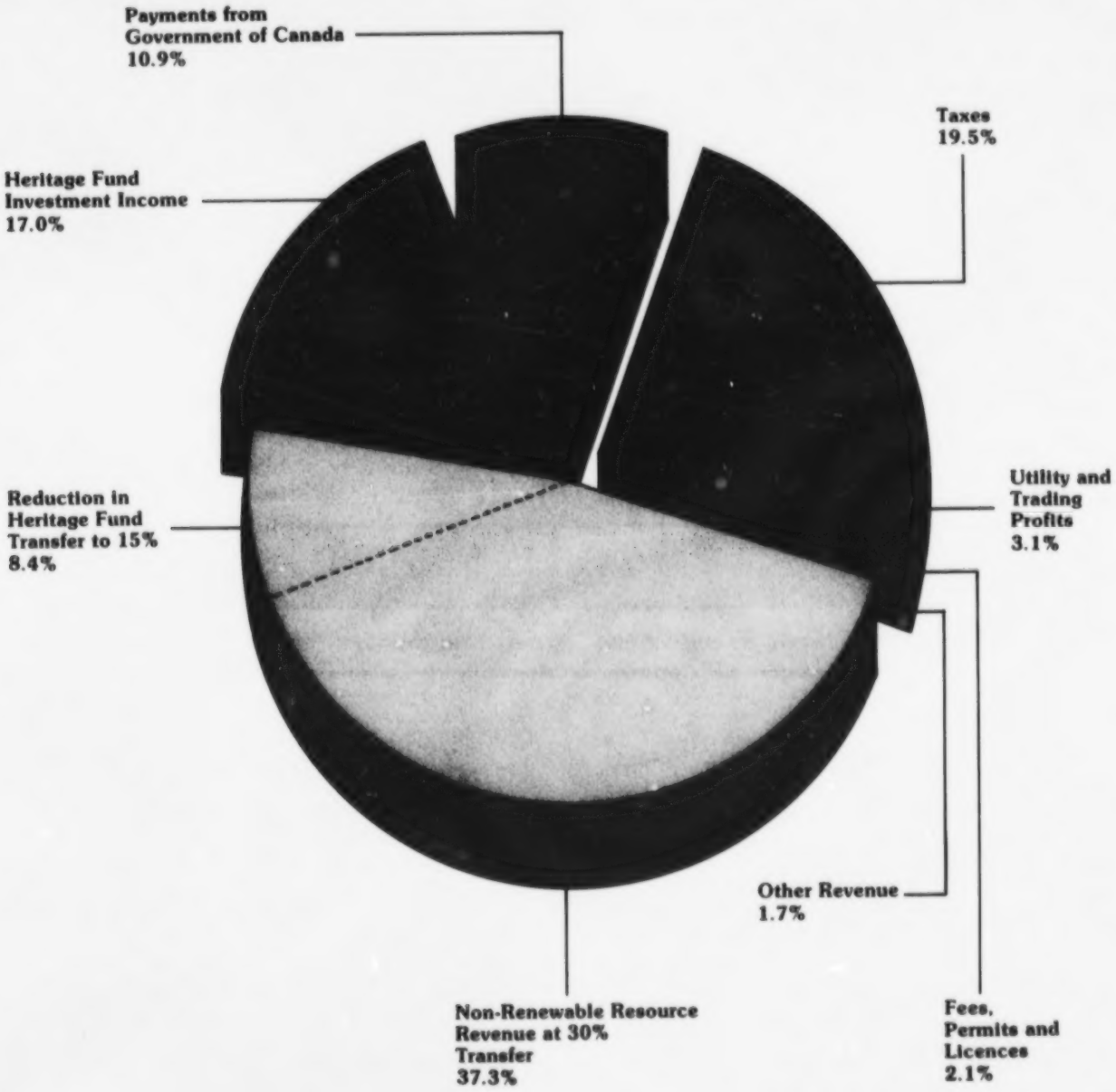
BUDGETARY SURPLUS AND DEFICIT
(millions of dollars)

Chart A2



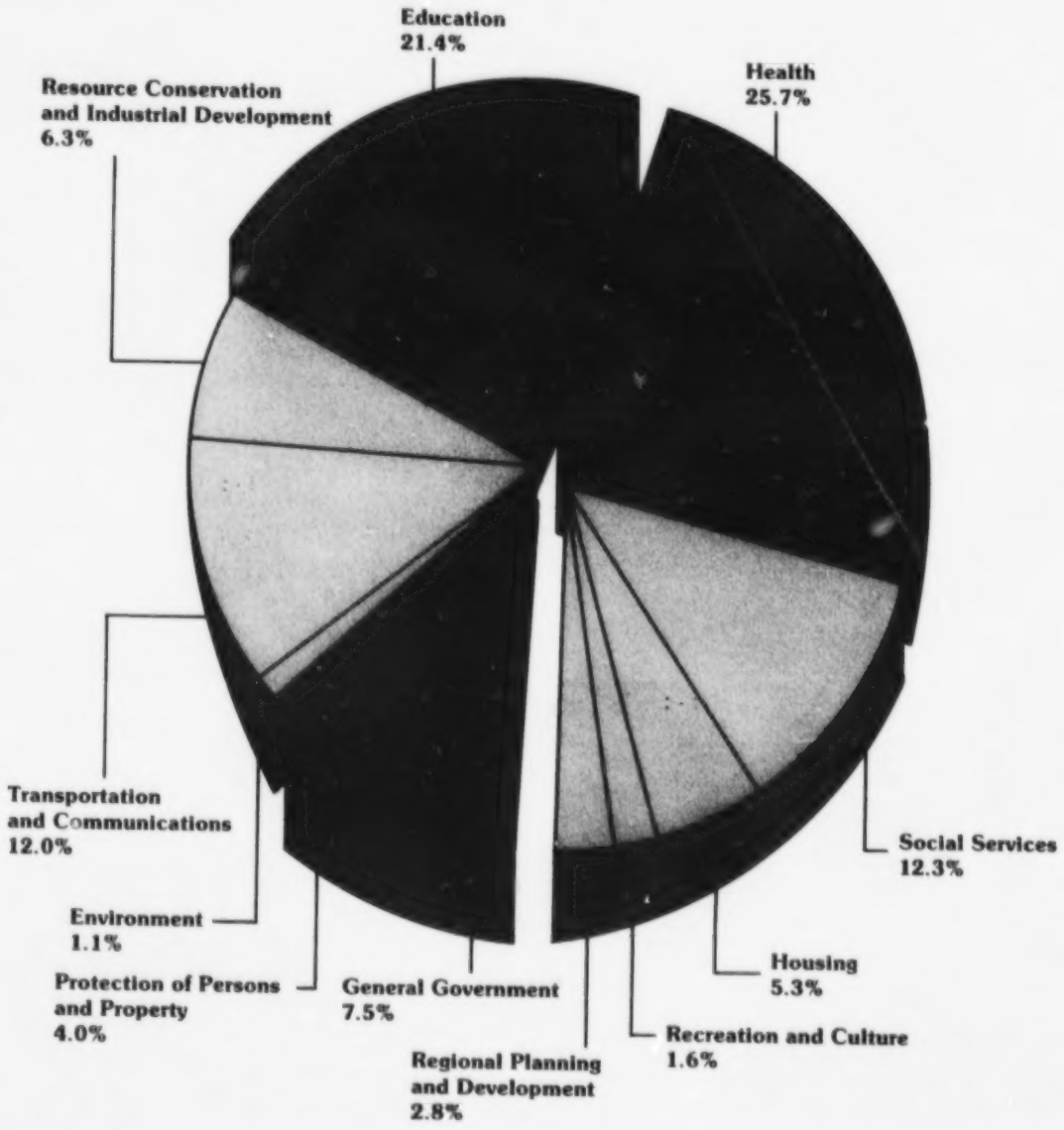
[a] Forecast
[b] Estimate

PERCENTAGE DISTRIBUTION OF BUDGETARY REVENUE BY MAJOR SOURCE, 1983-84 ESTIMATE **Chart A3**

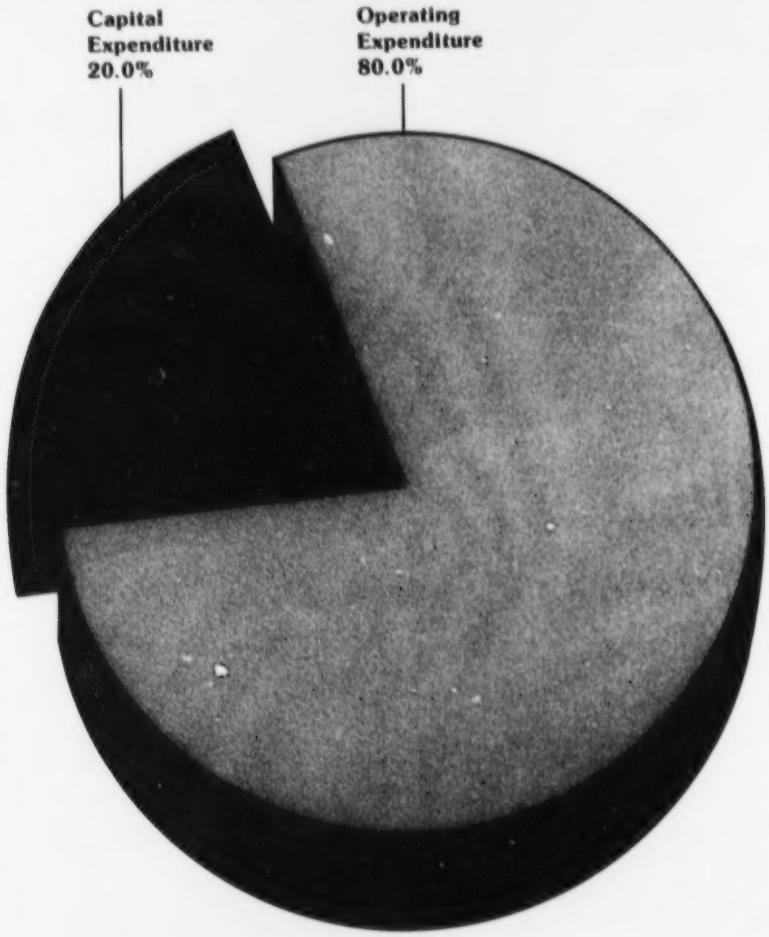

Payments from Government of Canada 10.9%
Taxes 19.5%
Heritage Fund Investment Income 17.0%
Utility and Trading Profits 3.1%
Reduction in Heritage Fund Transfer to 15% 8.4%
Other Revenue 1.7%
Non-Renewable Resource Revenue at 30% Transfer 37.3%
Fees, Permits and Licences 2.1%

PERCENTAGE DISTRIBUTION OF VOTED APPROPRIATIONS BY MAJOR FUNCTION, 1983-84 ESTIMATE

Chart A4

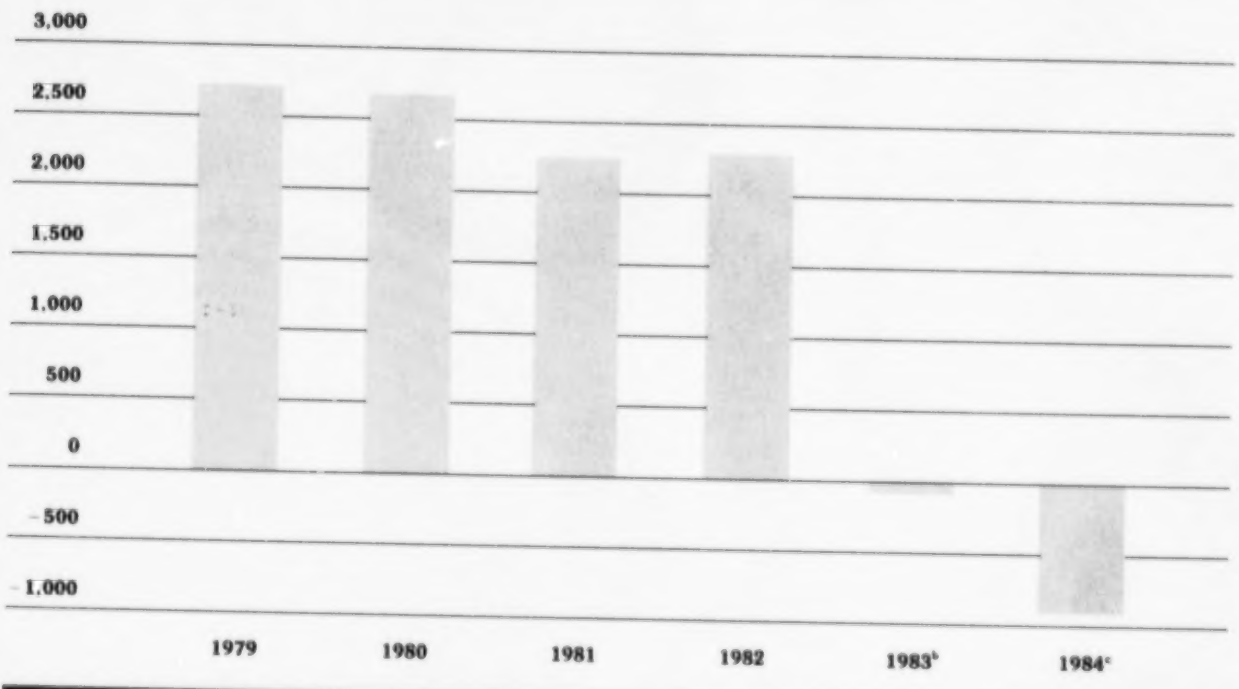


VOTED APPROPRIATIONS — OPERATING AND CAPITAL EXPENDITURE, 1983-84 ESTIMATE **Chart A5**



ACCUMULATED SURPLUSES (DEFICITS) OF THE GENERAL REVENUE FUND[a]
(millions of dollars)

Chart A6



[a] Years ending March 31
[b] Forecast
[c] Estimate

Appendix B
Alberta Heritage Savings Trust Fund

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The Alberta Heritage Savings Trust Fund

The Alberta Heritage Savings Trust Fund annually receives a portion of the province's non-renewable resource revenue. From 1976-77 to 1982-83, 30% of this revenue has been transferred to the Heritage Fund. In 1983-84, however, this proportion will be reduced to 15%. By lowering the transfer to the Heritage Fund, additional revenue will be available in the General Revenue Fund to meet budgetary needs.

In addition, effective September 1, 1982 for two years, all of the net investment income earned by the Heritage Fund will be transferred to the General Revenue Fund to finance the Economic Resurgence Plan and help reduce the budgetary deficit. Table B1 provides an estimate of the investment income that will be made available during 1983-84, as well as estimates of the resource revenue transfer and funds expected from maturities, repayments and disposals of investments made in previous years.

Table B2 shows the applications of funds from the Heritage Fund in 1983-84. The Fund is to provide in excess of $400 million to 22 ongoing capital projects, estimates for which have been presented to the Legislature. As well, a loan of $200 million is planned to be made to a new venture capital corporation with the objective of assisting venture capital financing to develop, diversify and expand Alberta's industrial base.

In past years, the Heritage Fund has been the major source of financing for provincial Crown corporations. Decisions were taken in the last half of 1982-83 to have two of these corporations meet their future capital needs by public borrowing: Alberta Municipal Financing Corporation and Alberta Government Telephones. Alberta Municipal Financing Corporation raised $250 million by issuing debentures in the Canadian market in December, 1982 and a further $200 million in February, 1983. In 1983-84 the requirements of these two corporations are expected to be met by borrowing in the public market.

Table B2 shows the financing requirements arising from the capital budgets of the four remaining provincial Crown corporations that are expected to borrow from the Heritage Fund in 1983-84 (see Appendix C). Since the total estimated requirements for funds (Table B2) from the Heritage Fund exceed its estimated sources (Table B1), it is anticipated that the Heritage Fund may be unable to provide all of the financing identified for these provincial Crown corporations during the course of the year.

Alberta Heritage Savings Trust Fund
SOURCES OF FUNDS
(thousands of dollars)

Table B1

	1983-84 Estimate	1982-83 Forecast	1982-83 Estimate	1981-82 Actual
Non-Renewable Resource Revenue Transfer				
At 30%	—	1,342,000	1,618,000	1,434,160
At 15%	743,000	—	—	—
Investment Income				
Net Investment Income	1,500,000	1,475,000	1,345,000	1,009,356
Transfer of Investment Income to General Revenue Fund	(1,500,000)	(860,000)	—	—
Investment Income Retained	—	615,000	1,345,000	1,009,356
Repayments, Maturities and Disposals	450,000	624,900	422,790	713,336
Provision for Non-Cash Items and Administrative Expenses	(75,000)	(250,000)	(180,000)	(170,666)
Total Sources	1,118,000	2,331,900	3,205,790	2,986,186

Alberta Heritage Savings Trust Fund
APPLICATIONS OF FUNDS
(thousands of dollars)

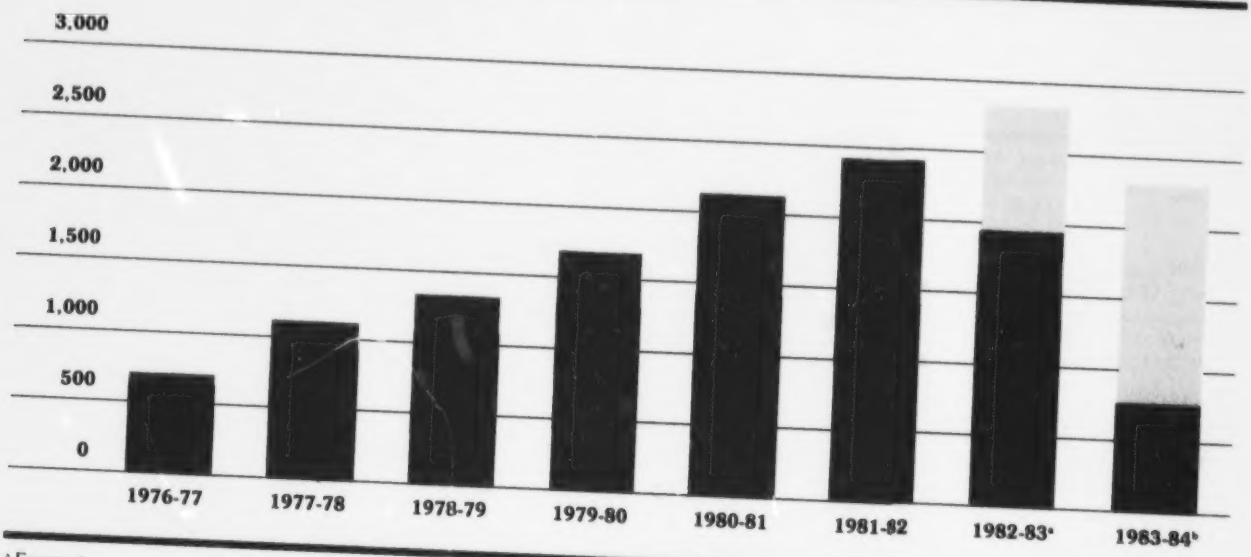
Table B2

	1983-84 Estimate	1982-83 Forecast	1982-83 Estimate	1981-82 Actual
Capital Projects Division	405,470	301,000	400,590	348,814
Alberta Investment Division –				
Provincial Corporations				
Alberta Agricultural Development Corporation	223,600	188,000	275,400	232,000
Alberta Home Mortgage Corporation	400,000	700,000	1,000,000	800,000
Alberta Housing Corporation	353,100	290,000	267,300	204,000
Alberta Opportunity Company	60,500	50,300	42,500	34,000
Less: Financing from Other Sources	(636,170)	—	—	—
	401,030	1,228,300	1,585,200	1,270,000
Alberta Government Telephones	15,000	345,000	455,000	348,560
Alberta Municipal Financing Corporation	—	439,300	730,000	382,112
Total Provincial Corporations	416,030	2,012,600	2,770,200	2,000,672
Loan for Venture Capital	200,000	—	—	—
Other Investments*	96,500	18,300	35,000	636,700
Total Requirements	1,118,000	2,331,900	3,205,790	2,986,186

* Includes new investments under the Canada Investment Division, an initial allocation to the Commercial Investment Division and investments under the Alberta Investment Division such as Syncrude and the Prince Rupert Grain Terminal

ALBERTA HERITAGE SAVINGS TRUST FUND — NON-RENEWABLE RESOURCE REVENUE AND INVESTMENT INCOME
(millions of dollars)

Chart B1



[a] Forecast.
[b] Estimate.

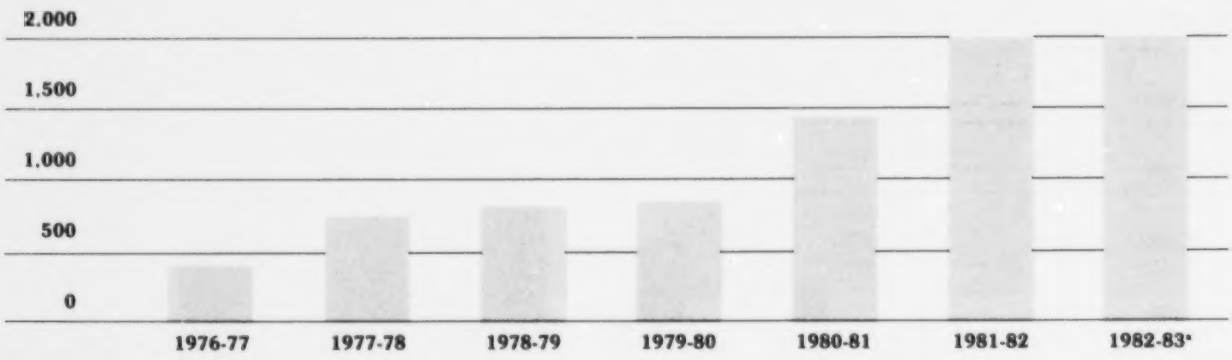
Non-Renewable Resource Revenue

Net Income Retained

Net Income transferred to the General Revenue Fund

NEW FINANCING PROVIDED TO PROVINCIAL CORPORATIONS BY THE ALBERTA HERITAGE SAVINGS TRUST FUND
(millions of dollars)

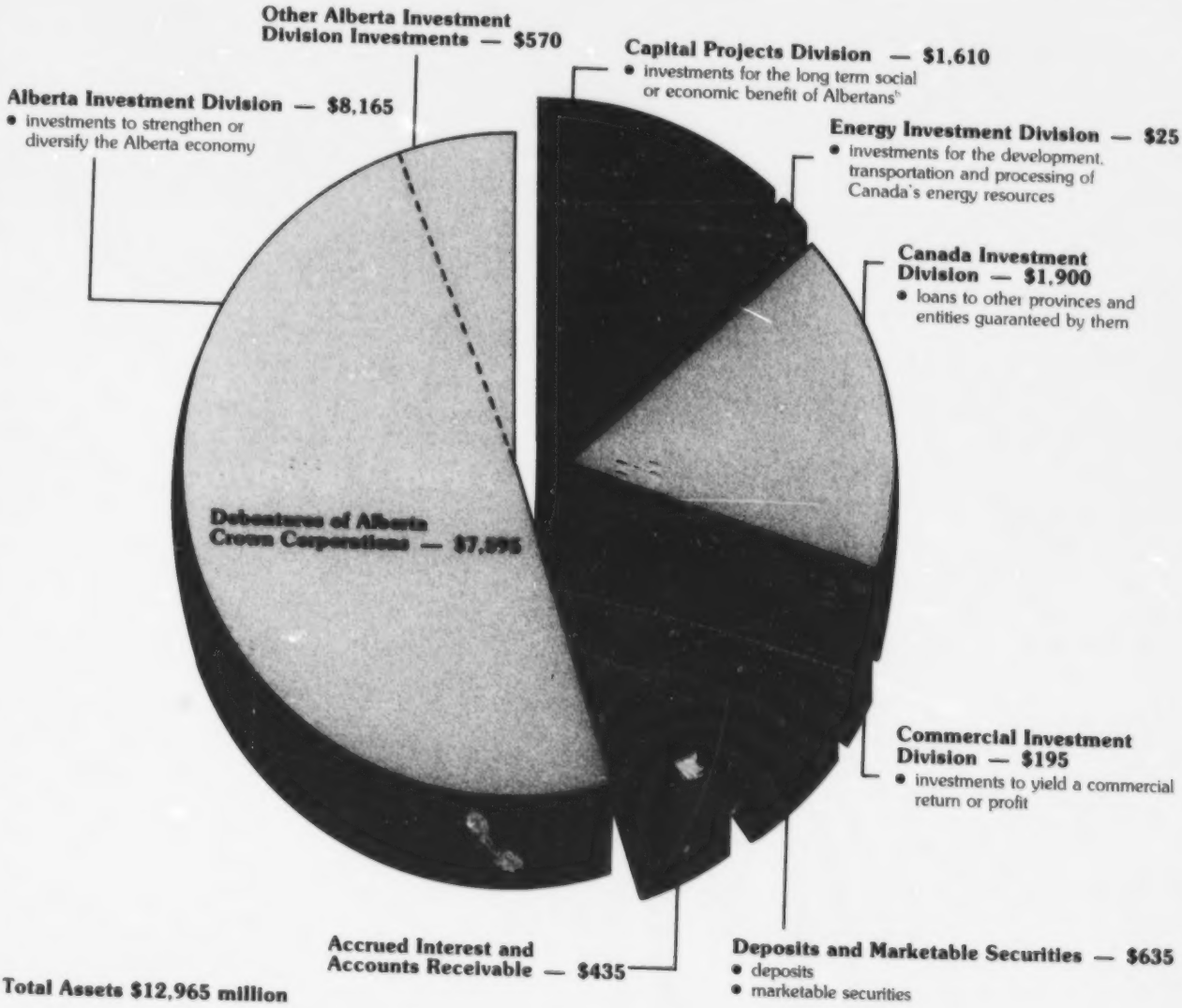
Chart B2



* Forecast

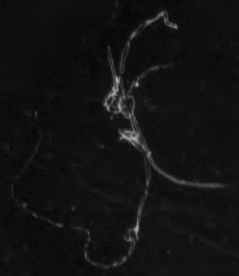
COMPOSITION OF ALBERTA HERITAGE SAVINGS TRUST FUND AT MARCH 31, 1983[a] (millions of dollars)

Chart B3


Other Alberta Investment Division Investments — $570
Capital Projects Division — $1,610
• investments for the long term social or economic benefit of Albertans[b]
Alberta Investment Division — $8,165
• investments to strengthen or diversify the Alberta economy
Energy Investment Division — $25
• investments for the development, transportation and processing of Canada's energy resources
Canada Investment Division — $1,900
• loans to other provinces and entities guaranteed by them
Debentures of Alberta Crown Corporations — $7,895
Commercial Investment Division — $195
• investments to yield a commercial return or profit
Accrued Interest and Accounts Receivable — $435
Deposits and Marketable Securities — $635
• deposits
• marketable securities
Total Assets $12,965 million

[a] Forecast

[b] Capital Projects yield no return and are reported as deemed assets in the financial statements of the Heritage Fund.



Appendix C
Provincial Crown Corporations – Capital Budgets

Tables

Tables

C1 Alberta Agricultural Development Corporation 65
C2 Alberta Home Mortgage Corporation 67
C3 Alberta Housing Corporation 69
C4 Alberta Municipal Financing Corporation 71
C5 Alberta Opportunity Company 73

Provincial Crown Corporations – Capital Budgets

The 1983-84 capital budgets of five major provincial Crown corporations are contained in this appendix: Alberta Agricultural Development Corporation, Alberta Opportunity Company, Alberta Home Mortgage Corporation, Alberta Housing Corporation and Alberta Municipal Financing Corporation. The first four of these corporations receive direct support from the General Revenue Fund enabling them to deliver their programs to Albertans at less than their full cost. Through a program of the Department of Municipal Affairs, grants are provided to municipalities to reduce the effective interest costs on many of the Alberta Municipal Financing Corporation's loans. Details of these contributions can be found in the 1983-84 Estimates of Expenditure.

Alberta Agricultural Development Corporation, Alberta Opportunity Company, Alberta Home Mortgage Corporation and Alberta Housing Corporation will obtain the cash required for their capital activities by issuing debentures to the Provincial Treasurer. These debentures will carry market rates of interest appropriate for the terms of the debentures. It is anticipated that the Alberta Heritage Savings Trust Fund will, as in past years, invest in the debenture issues of these corporations. However, the Heritage Fund is not expected to have sufficient funds to meet fully their requirements in 1983-84. To ensure that these four corporations are able to carry out their 1983-84 capital budgets, the province will borrow on their behalf to meet any requirements not met by the Heritage Fund.

Alberta Municipal Financing Corporation is expected to meet its capital requirements by borrowing in public markets and issuing debentures to the Canada Pension Plan Investment Fund.

Alberta Agricultural Development Corporation

The Alberta Agricultural Development Corporation provides loans, loan guarantees and interest incentive rebates to farmers, agricultural industries and associated businesses. The Corporation's programs are designed to foster the establishment and maintenance of family farms and improvements in their productivity, and to encourage the processing, within Alberta, of the province's agricultural products.

Total direct loans and guarantees made by the Corporation in 1983-84 are expected to amount to $348 million. Direct loans are made at preferred rates of interest and some borrowers are eligible for incentive rebates of part of their interest costs.

The Corporation's largest program is the Beginning Farmer Program, which provides loans and incentive rebates to individuals whose farms are in an early stage of development. Loans under this program are expected to total $152 million in 1983-84, while other direct farm and agribusiness loans are estimated to amount to $68 million. To finance these activities, the Corporation will borrow an estimated $224 million from the Provincial Treasurer in 1983-84. Subject to the overall availability of funds, it is anticipated that this financing will, as in past years, be made available from the Alberta Heritage Savings Trust Fund.

In order to provide incentive rebates and other subsidies to its borrowers and to cover operating expenses in 1983-84, the Corporation will receive a budgetary appropriation of $65 million through the Department of Agriculture.

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION
(thousands of dollars)

Table C1

	1983-84 Estimate	1982-83 Forecast
Programs		
Direct Lending:		
Beginning Farmer Loans	151,900	161,000
Part A Farm Loans	21,300	18,000
Part B Farm Loans	30,800	26,000
Agribusiness Loans	16,000	15,000
Total Direct Lending	220,000	220,000
Loan Guarantees:		
General Guarantee Agreements		
Alberta Farm Development Loans	62,000	70,000
Specific Guarantee Agreements		
Farm Loans	10,000	6,000
Agribusiness Loans	56,000	56,000
Total Guarantees	128,000	132,000
Financing		
Cash Required For:		
Direct lending	220,000	220,000
Guarantee implementations	5,000	3,000
Protective disbursements	200	460
Repayment of debentures	15,000	11,240
Total Cash Requirements	240,200	234,700
Sources of Financing:		
Operations and change in cash balance	4,500	35,200
Principal repayments	11,600	11,000
Guarantee implementation recoveries	500	500
Sales of debentures to the Provincial Treasurer	223,600	188,000
Total Sources	240,200	234,700

Alberta Home Mortgage Corporation

The Alberta Home Mortgage Corporation assists in providing affordable rental and ownership housing. This is accomplished through lending programs which incorporate subsidies for home purchasers, builders of home ownership units and owners of rental units.

In 1983-84 the Alberta Family Home Purchase Program will commit $270 million to finance an estimated 4,000 housing units for Alberta families. Through its Core Housing Incentive and Modest Apartment Programs, the Home Mortgage Corporation is expected to commit $55 million in 1983-84 to provide an estimated additional 1,000 rental units. The Corporation's commitments of 5,500 units of accommodation in 1983-84 is a reduction from 7,295 units forecast in 1982-83 and 17,553 units in 1981-82. The reduction in the level of activity reflects slower economic growth, the resulting lower level of in-migration and the province's belief that the private sector can play a more active role in the provision of moderately priced housing now that interest rates have declined.

To obtain the funding necessary to carry out these and other programs in 1983-84, the Corporation will borrow an estimated $400 million through the sale of debentures to the Provincial Treasurer. Subject to the overall availability of funds it is anticipated that this financing will, as in past years, be made available from the Alberta Heritage Savings Trust Fund.

In addition, in 1983-84 the Corporation will receive a budgetary appropriation of $134 million through the Department of Housing to meet subsidy and operating costs.

ALBERTA HOME MORTGAGE CORPORATION
(thousands of dollars)

Table C2

	1983-84 Estimate	(# units)	1982-83 Forecast	(# units)
Programs				
Home Ownership:				
Alberta Family Home Purchase Program	270,000	4,000	265,000	4,300
Rural and Native Housing	11,000	200	15,000	260
Total Home Ownership	281,000	4,200	280,000	4,560
Rental Accommodation:				
Core Housing Incentive Program	35,000	600	74,000	1,610
Modest Apartment Program	20,000	400	9,500	270
NHA Non-Profit	20,000	300	53,000	855
Total Rental Accommodation	75,000	1,300	136,500	2,735
Other Programs:				
Mobile Home Parks (stalls)	10,000	500	—	—
Residential Land Development (lots)	14,000	600	8,500	335
Revolving Trunk Servicing	20,000	—	30,000	—
		500 stalls		— stalls
Total Other Programs	44,000	600 lots	38,500	335 lots
		5,500 units		7,295 units
Total Commitments		500 stalls		— stalls
	400,000	600 lots	455,000	335 lots
Financing				
Cash Required For:				
Programs	425,000		685,000	
Repayment of debentures	75,000		65,000	
Total Cash Requirements	500,000		750,000	
Sources of Financing:				
Principal repayments and payouts	100,000		50,000	
Sales of debentures to the Provincial Treasurer	400,000		700,000	
Total Sources	500,000		750,000	

Alberta Housing Corporation

The primary objective of the Alberta Housing C rporation is to provide affordable housing for senio citizens and low to middle income Albertans. The Corporation's activities include programs to construct apartments for self-sufficient senior citizens and lodge accommodation for seniors who are healthy and active but who no longer wish to maintain an independent household. Through its Community Housing Program, the Corporation constructs housing for low and moderate income Albertans unable to find adequate accommodation in the market-place. In addition, the Corporation has initiated programs to assemble land for residential and industrial purposes and to provide mobile homes in rural areas, transitional housing for native Albertans and affordable housing in Fort McMurray.

In 1983-84 Alberta Housing Corporation expects to provide an additional 2,760 housing units for Albertans, which would require the Corporation to make commitments totalling $172 million. This compares to the 3,855 units forecast to be committed in 1982-83 at a cost of $240 million. In part this reduction in activity is due to the supply of specialized housing catching up to demand as a result of the Corporation's high level of activity in recent years. The Corporation expects to commit $72 million to its land banking and development programs in 1983-84.

In order to fund its activities, Alberta Housing Corporation is expected to require $353 million in new financing from the Provincial Treasurer in 1983-84. Subject to the overall availability of funds, it is anticipated that this financing will, as in past years, be made available from the Alberta Heritage Savings Trust Fund.

In addition, the Corporation will receive an estimated $89 million from a budgetary appropriation through the Department of Housing in order to provide subsidized housing and meet operating and other costs.

ALBERTA HOUSING CORPORATION
(thousands of dollars)

Table C3

	1983-84 Estimate		1982-83 Forecast	
Programs		(# units)		(# units)
Housing Programs:				
Staff Housing	3,600	38	6,200	66
Community Housing	39,000	571	67,300	989
Senior Citizen Lodges	10,200	212	20,000	418
Senior Citizen Self-Contained	116,200	1,899	140,200	2,302
Transitional Housing	3,200	40	6,300	80
Total Housing	172,200	2,760	240,000	3,855
Other Programs:				
Land Banking and Development	27,500		46,200	
Fort McMurray Development	40,300		20,000	
Industrial Land	4,700		5,300	
Total Other	72,500		71,500	
Total Commitments	244,700	2,760	311,500	3,855
Financing				
Cash Required For:				
Programs	361,300		300,000	
Repayment of debentures (net of federal and municipal subsidies)	7,700		6,200	
Total Cash Requirements	369,000		306,200	
Sources of Financing:				
General Revenue Fund budgetary appropriation for debt retirement[1]	7,700		6,200	
Land sales	8,200		10,000	
Sales of debentures to the Provincial Treasurer	353,100		290,000	
Total Sources	369,000		306,200	

[1] Included in Vote 4, Department of Housing.

Alberta Municipal Financing Corporation

The Alberta Municipal Financing Corporation is able to provide loans to municipalities, school systems and hospitals at interest rates based on its cost of obtaining funds. The Corporation provides significant savings for its borrowers because it benefits from a provincial government guarantee of its borrowings and access to a wide range of financial markets.

In 1983-84 loans to municipalities, hospitals and school systems are expected to total $910 million compared to $1,120 million in 1982-83, reflecting more moderate growth of Alberta municipalities. The Corporation is expected to obtain the financing necessary to carry out its activities from loan repayments, the sale of debentures to the Canada Pension Plan Investment Fund and borrowing in public markets. The Corporation is forecast to require $1,076 million in 1983-84 for new loans and the repayment of existing debt.

Through the Municipal Debenture Interest Rebate Program, funded by a budgetary appropriation of the Department of Municipal Affairs, the government will provide municipalities with grants totalling $118 million to reduce effective interest costs on many of the Corporation's loans.

ALBERTA MUNICIPAL FINANCING CORPORATION
(thousands of dollars)

Table C4

Programs	**1983-84 Estimate**	**1982-83 Forecast**
Direct Lending:		
Municipal Loans	703,000	903,100
School Loans	200,000	198,600
Hospital Loans	5,000	16,600
Other Loans	2,000	2,200
Total Direct Lending	910,000	1,120,500
Financing		
Cash Required For:		
Direct lending	910,000	1,120,500
Repayment of debentures and sinking fund provision	136,000	76,000*
Other	30,000	30,300
Total Cash Requirements	1,076,000	1,226,800
Sources of Financing:		
Change in cash balance	101,200	(103,300)
Principal repayments	159,000	126,100
From sinking fund on debt retirement	41,000	—
Sales of debentures to the Canada Pension Plan Investment Fund	323,000	327,000
Sales of debentures to the public (net)	451,800	437,700
Sales of debentures to the Provincial Treasurer (net)	—	439,300*
Total Sources	1,076,000	1,226,800

* Not included is $225 million in debentures issued to the Alberta Heritage Savings Trust Fund in 1982-83 and subsequently redeemed by AMFC using part of the proceeds of a public debt issue.

Alberta Opportunity Company

The Alberta Opportunity Company provides loans, loan guarantees, refinancing and financial guidance to small businesses throughout the province in order to promote the growth and diversification of the provincial economy. Priority is given to businesses located outside the major centres of Edmonton and Calgary.

Loan commitments under the Company's Direct Lending Program are expected to be $48 million in 1983-84. In order to finance its activities and provide for principal repayments to the Heritage Fund, the Company will borrow an estimated $60 million from the Provincial Treasurer in 1983-84. Subject to the overall availability of funds, it is anticipated that this financing will, as in past years, be made available from the Alberta Heritage Savings Trust Fund.

Through a budgetary appropriation of the Department of Tourism and Small Business, the Company expects to receive $5 million to help meet its interest costs.

ALBERTA OPPORTUNITY COMPANY
(thousands of dollars)

Table C5

	1983-84 Estimate	1982-83 Forecast
Programs		
Direct Lending:		
Loans	48,000	43,000
Loan Guarantees:		
Guarantees	1,000	1,000
Financing		
Cash Required For:		
Direct lending	48,000	44,000
Repayment of debentures	31,000	21,700
Total Cash Requirements	79,000	65,700
Sources of Financing:		
Principal repayments	17,300	14,300
Funds available from operations	1,200	1,100
Sales of debentures to the Provincial Treasurer	60,500	50,300
Total Sources	79,000	65,700

Appendix D
Health Care Premiums

Tables and Charts

Tables

D1 Schedule of Health Care Premium Increases 78
D2 Comparison of Health Care Premiums 78

Charts

D1 Health Care Premiums as a Percentage of Health Care Insurance Plan Expenditure 77

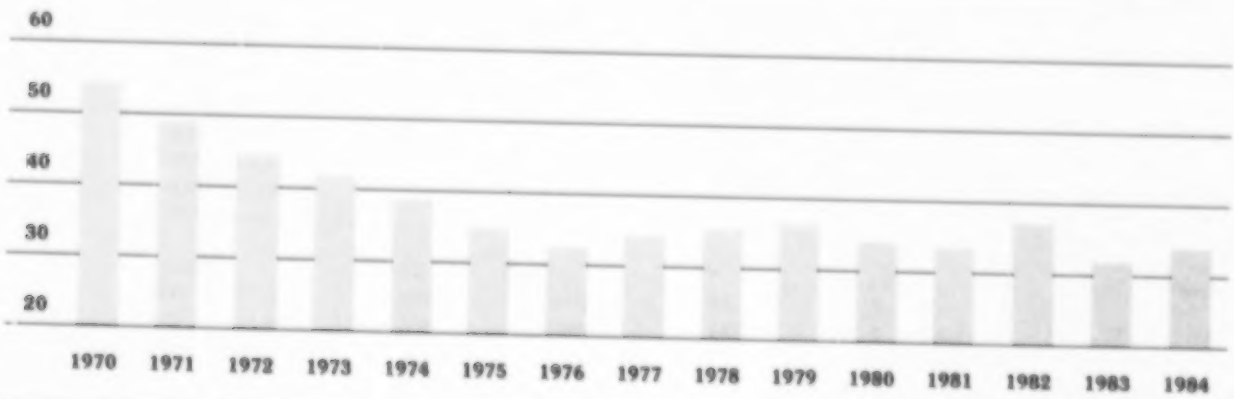
Health Care Premiums

Since the inception of the Alberta Health Care Insurance Plan in 1969, premiums have formed a part of the system. Premiums initially accounted for almost 55% of medicare expenditure but recently have contributed less and less to the Health Care Insurance Fund as shown in Chart D1. If premiums were not increased in 1983-84, they would only fund about 24% of the expected $660 million in expenditure. The increase in premiums for 1983-84 will result in about 33% of health care insurance expenditure being funded by premiums.

The schedule of health care premium increases is provided in Table D1. Even after these increases, health care premiums will remain lower in Alberta than in British Columbia and Ontario, as shown in Table D2. Manitoba imposes a payroll tax of 1.5% of gross salary to fund health services and post-secondary education while Quebec imposes a payroll tax of 3% of gross salary to fund health services.

HEALTH CARE PREMIUMS AS A PERCENTAGE OF HEALTH CARE INSURANCE PLAN EXPENDITURE*
(per cent)

Chart D1



* Fiscal years ending in the calendar year.

SCHEDULE OF HEALTH CARE PREMIUM INCREASES
(dollars)

Table D1

Previous Year's Taxable Income	Current Monthly Premium	Monthly Premium After July 1, 1983	Increase
Individual			
0-3,000	0	0	0
3,001-4,000	4.85	7.00	2.15
Above 4,000	9.50	14.00	4.50
Family			
0-4,000	0	0	0
4,001-5,000	9.70	14.00	4.30
Above 5,000	19.00	28.00	9.00

COMPARISON OF HEALTH CARE PREMIUMS
(dollars)

Table D2

	Alberta		British Columbia		Ontario	
	Taxable Income	Annual Premium	Taxable Income	Annual Premium	Taxable Income	Annual Premium
Individual	0-3,000	0	0-1,880	18	0-3,000	0
	3,001-4,000	84	1,881-2,810	90	3,001-3,500	81
	Above 4,000	168	Above 2,810	180	3,501-4,000	162
					4,001-4,500	243
					Above 4,500	324
Couple	0-4,000	0	0-1,880	33.60	0-3,500	0
	4,001-5,000	168	1,881-2,810	168	3,501-4,500	162
	Above 5,000	336	Above 2,810	336	4,501-5,000	324
					5,001-5,500	486
					Above 5,500	648
Family	Same as couple		0-1,880	38.40	Same as couple	
			1,881-2,810	192		
			Above 2,810	384		
Seniors	exempt		not exempt		exempt	